Emerging markets
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Arm-twisting works
How Mercedes won job flexibility
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Human genes: putting the new data to use
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'Ace' on Wall Street
Bear Stearns star has another $15.9m year
Alan Greenberg, Page 10

FINANCIAL TIMES

Europe's Business Newspaper | MONDAY DECEMBER 20 1993 | D8523A

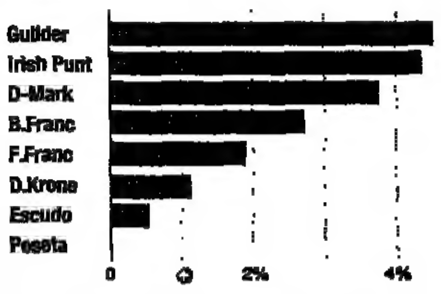
Italian deputies vote to accept austerity budget

Italy's chamber of deputies has approved the country's 1994 austerity budget and the Senate is now almost certain to give the go-ahead this week, opening the way for general elections early next year.

The government also agreed two decrees to reform the country's electoral constituencies – the final piece of its electoral law reform. Page 14

European Monetary System: The Dutch guilder remained the strongest currency in the system, alternating throughout the week with the Irish punt for the top spot in the grid. Its disparity with the Spanish peseta, the grid's weakest member, was some 4.58 per cent. Currencies, Page 27

EMS: Grid December 17, 1993



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Saatchi and Saatchi, international advertising group, is to set up a centralised media-buying operation in the US, its biggest single market, for the purchase of television, radio and press advertising space. Page 15

Eastern Europe telecoms deal: A consortium led by German state-owned telecoms company Deutsche Telekom has clinched eastern Europe's single biggest privatisation deal by agreeing to pay $875m for a 30 per cent stake in Matav, the Hungarian state telecoms company. Page 15

Fisons, troubled UK pharmaceuticals and scientific equipment group, is planning plant closures and large-scale redundancies in an attempt to restore confidence following the dismissal of chief executive Cedric Scroggs. Page 6

Troops may quit former Yugoslavia: French defence minister François Leotard said European countries might withdraw their peacekeeping troops from former Yugoslavia in the spring if no political solution had been reached by then.

Japanese banks warned on loans: Japanese banks are seriously underprovided against bad loans according to a study of the profitability of 300 international banks. Page 5

Fox snaps up US football rights: A $395m-a-year bid by Rupert Murdoch's US Fox Network has stripped rival CBS of the right to broadcast Sunday afternoon American football games from the National Football Conference league. Page 5

China warns UK over business: British companies will lose out in competition for business in China unless Hong Kong governor Chris Patten shelves his democratic reforms for the colony, the governor of China's Guangdong province said. Page 5

Mobiliare Italiano, the second big bank on the Italian government's privatisation list, expects to float more than 40 per cent of its shares, well above original expectations. Page 17

Otis, the world's largest lift manufacturer, is hoping to expand its share of the recession-torn UK market through a new British-designed range of standard lifts which has cost it £70m ($104m) to develop. Page 6

Names offered help with losses: Names on the Lloyd's of London insurance market who face substantial losses are to be offered a long-term financial lifeline. Page 6

Jaguar boosts output by 43%: UK luxury car maker Jaguar raised output by 43 per cent this year to about 29,500 cars from last year's 20,593. The 1992 figure was the lowest for 11 years. Page 6

Quangos grow: Unelected quangos are growing in number, employing more staff and taking a larger share of UK public expenditure, according to research by the Financial Times. Page 6

Accountants divided over goodwill: The UK Accounting Standards Board will today unveil two alternative proposals for the treatment of goodwill in companies' accounts after its members failed to agree a common line. Page 6; Lex, Page 14

London Weekend Television, UK commercial broadcaster, will attempt to set up a quartet of ITV licences under common ownership as part of its defence against a hostile bid from the Granada Group. Page 15; LWT condemns bid, Page 16

Britain hit by floods: Flooding following torrential rain closed roads in Wales, the West Country and Yorkshire. Weather forecast, Page 14

ANC reaches initial accord on Afrikaner homeland

Agreement seen as major symbolic concession to right-wing whites

By Patti Waldmeir in Johannesburg

The African National Congress and South Africa's white right-wing groups have reached agreement in principle to establish a "homeland" for Afrikaners, a significant symbolic concession to right-wing whites who fear black majority rule.

The agreement, which has not yet been made public, is due to be signed tomorrow in Johannesburg. It is understood to be hedged with conditions, and is only a first step to a firm deal.

No agreement appears to have been reached on important questions such as the borders of the proposed homeland, if blacks living in it would be allowed to vote, and the powers of the homeland government. But the accord has important symbolic value, and illustrates the ANC's commitment to persuading right-wing whites to contest next year's all-race elections.

In the agreement, the Afrikaner Volksfront (Afrikaner People's Front), the umbrella group which represents most right-wing Afrikaners, commits itself to participate in the poll if detailed agreement on a homeland is reached early next year.

The two sides will now enter intensive talks designed to meet the accord's timetable for reaching detailed agreements in January and February.

Difficult negotiations lie ahead over what the term "volkstaat" (people's state, or homeland) will mean. It is highly unlikely that an independent ethnic state like Israel could be created for the Afrikaners, because there is no substantial area where they are in the majority, and little likelihood that large numbers would move to a newly-created state.

Instead, the "volkstaat" could be comprised of small areas, sub-regions within the country's provinces, where Afrikaners could exercise some autonomy from central government.

Asked to define the degree of autonomy required in a volkstaat, one AVF representative said: "If emotionally the people feel they are governing themselves, that would be a volkstaat. Language would be a huge thing," he said. Control over education would also be important. The Swiss cantonal system, studied by a joint ANC-AVF delegation, may be used as a model.

But the AVF, which loosely unites groups from the neo-Nazi Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement) to more moderate Afrikaner groups, is not a monolith. Hard-right groups are holding out for a more powerful ethnic state. The radical leader of the white supremacist Conservative party, Mr Ferdi Hartzenberg, is understood to support tomorrow's accord, but reaching detailed agreement with him could prove difficult.

Mr Nelson Mandela, ANC leader, has been strongly opposed to demands for an Afrikaner homeland, though he has often said significant power could be devolved to Afrikaner areas. "Sure, we've got a long way to go," said one AVF official. "But when we started, it was only a dream."

Reynolds urges positive response from IRA

Irish PM warns of crackdown if peace bid fails

By James Blitz in London and Tim Coone in Dublin

Mr Albert Reynolds, the Irish prime minister, yesterday warned he would help Britain impose a tough security clampdown against the Irish Republican Army if it did not respond positively to the two governments' bid to bring peace to Northern Ireland.

As Mr Reynolds sought to put further pressure on the IRA to give up its 25-year armed struggle against Britain's presence in Ulster, Mr John Major, the British prime minister, appealed to Ulster unionists, who support the province's union with the UK, to recognise the initiative as the last chance for peace.

Mr Reynolds, speaking on BBC radio, warned that both governments "would be expected to respond" if loyalists and nationalists resumed the path of violence. He said: "After a period in which such strong support has been expressed by the people in both communities for peace, I think there would be a revulsion with a resumption to full-scale violence."

However, he ruled out a return to internment for terrorist suspects, which he said was "the strongest recruiting platform that the IRA were handed".

It seems increasingly unlikely that Sinn Féin, the IRA's political wing, will deliver an early response to the declaration the two governments launched last Wednesday.

An indication of Sinn Féin's position came from Mr John Hume, the leader of the moderate Social Democratic and Labour party, speaking after talks yesterday with Mr Gerry Adams, the Sinn Féin president. Mr Hume said he believed Mr Adams was "very serious" about bringing peace to the region.

Four people – including three children – were taken to hospital with minor injuries yesterday after the IRA detonated a huge landmine in Londonderry.

The bomb, which was aimed at a passing British army patrol, was the first significant military attack since the Downing Street declaration.

It gave a clear sign that the IRA is not observing an unofficial ceasefire while deciding on its formal response to the Major-Reynolds peace initiative.

In a Dublin newspaper article, Mr Adams said: "Republicans will be considering (the joint declaration) in the context of Sinn Féin's peace strategy. We will approach it positively and seek to move the peace strategy forward."

The Republican movement, he said, would consider the declaration "over Christmas and for some time after that ... There are no quick fixes in this situation".

Mr Reynolds tempered his warning about a new security clampdown with hints of the benefits the IRA might receive if it sued for peace. He also suggested the UK government might hold talks on "the future of prisoners" held in British jails. "I think that's what the British government would have in mind in exploratory talks with Sinn Féin when they said they would engage in talks within three months," he said.

However, Downing Street officials said the subject of prisoners was not among initial proposals for talks with Sinn Féin in the aftermath of a ceasefire. Downing Street emphasised that British jails contained "criminals", not "political prisoners".

Unionist politicians also warned that they would oppose any amnesty to IRA prisoners as part of an overall deal.

Mr David Trimble, the Ulster Unionist MP for Upper Bann, warned: "If there's any question of an amnesty for persons who've been convicted ... there'll be a very negative reaction."

Mr Major's appeal to Northern Ireland's unionists to accept the peace initiative, saying there would never be a better time for it.

In an article in a Belfast newspaper, he said the joint initiative did not undermine the union between Great Britain and Northern Ireland.

Mr Major said: "I support the union. I have always supported the union. That is my personal right.

"But I shall not seek to impose my view on the greater number of people of Northern Ireland if they decide otherwise."

Peace deal may turn on former combatants, Page 14

Opposition SPD given boost in German elections

By Judy Dempsey in Berlin

Germany's opposition Social Democratic Party yesterday unexpectedly stemmed the advance of the reformed communist Party of Democratic Socialism by winning one of the key cities in the eastern state of Brandenburg, according to exit polls.

Mr Horst Gramlich, the SPD's incumbent mayor of Potsdam, the state capital of Brandenburg, gained a projected 56 per cent of the vote, 10 points ahead of main contender, Mr Rolf Kutzmutz of the PDS, who had been tipped to clinch the post of mayor in this second-round election.

The recent series of local government elections, the first in eastern German states since unification, have shaken the established parties as the PDS, the successor to the former Socialist Unity (communist) party, gained 21 per cent of the first-round vote, while Chancellor Helmut Kohl's governing Christian Democrats received only 22 per cent.

The apparent defeat of Mr Kutzmutz, who, in the first round, polled 43 per cent of the vote ahead of Mr Gramlich's 30 per cent, would be a set-back for the PDS, which believed it was set to become the strong regional party for eastern Germany.

Mr Kutzmutz, an admitted informer for the former east German secret police, the Stasi, had run an efficient campaign aimed at the unemployed and those who felt aggrieved that Germany's established parties failed to consider the particular social and economic problems of eastern Germany since unification.

Officials at Brandenburg's SPD, which had managed to secure about 34 per cent of the vote in the first round, were determined to prevent the PDS from becoming an established political force in Potsdam and a potential threat in next year's round of local, state, and federal elections.

Rolf Kutzmutz votes in Potsdam yesterday. His apparent defeat would be a setback for the reformed communist party Associated Press

Secret Norway talks seek to end Israeli-PLO deadlock

By Julian Ozanne in Jerusalem

Israeli and Palestinian officials held talks at a secret location in south-east Norway yesterday in an effort to break the deadlock over implementing their peace accord.

Cabinet ministers who met in Jerusalem stressed that the government was united in refusing to compromise with the Palestine Liberation Organisation over control of borders – the issue at the heart of the disagreement.

Officials said Israel wanted Mr Yassir Arafat, PLO chairman, to withdraw his demand for joint control and joint patrols on the borders between the Gaza Strip and Egypt and between the West Bank area of Jericho and Jordan.

In return, Israel would allow a substantial Palestinian presence at the borders and would be more conciliatory on the other outstanding differences: the size of the Jericho area and the role of the Israeli army in protecting settlers who will continue to live in Gaza-Jericho. Officials say that behind the differences is a misunderstanding between the two sides, with Mr Arafat trying to win as many symbols of sovereignty from Israel as possible in an effort to portray the interim self-rule period as the embryo of a Palestinian state.

"There is a basic gap in positions," Mr Benjamin Ben Eliezer, housing minister, said. "Yassir Arafat thinks that this is a process to establish a Palestinian state. We are talking only about a transitional period of autonomy to test whether co-existence is possible."

Mr Yitzhak Rabin, the Israeli prime minister, said he would only meet Mr Arafat for a summit in Cairo if progress was reached in Oslo.

Progress would have to be approved by Jerusalem and PLO headquarters in Tunis before the summit, tentatively scheduled for Thursday, could go ahead, he said. Officials and ministers still believe the summit and the signing of an agreement could take place on Thursday but that a delay of up to two weeks is more likely.

The summit is seen on both sides as critical to breathing fresh momentum into the peace process and starting Israeli military withdrawal from Gaza-Jericho, which should have started last Monday.

Under the peace accord, Israel was due to begin a four-month process of redeploying its forces out of Palestinian population areas and handing over power to an interim Palestinian authority on December 13. Both sides fear that further delays will fuel spiralling Arab-Jewish violence by extremists bent on sabotaging the agreement.

Officials said the decision to resume talks in Norway, which hosted the secret talks that produced the agreement last September, was taken because both sides trusted the Norwegian brokers and had failed to make progress in bilateral talks.

Austria	Sch30	Greece	Dr300	Lux	LFr65	Qatar	QR12.00
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 3.75	Slovak Rp	KSL45
Cyprus	C£1.00	India	Rs40	Nigeria	Naira45	South Africa	R12.00
Czech Rp	CZK45	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta210
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Egypt	E£4.50	Japan	Y500	Pakistan	Rs35	Switz	SFr3.20
Finland	FM12	Jordan	JD1.50	Philippines	Pso45	Syria	S£50.00
France	FFr9.00	Kuwait	Fils 600	Poland	Zl 32,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Esc215	Turkey	L8000
						UAE	Dh11.00

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EU steel industry moves to next phase of battle

The spotlight will now shift to the non-aided steelmakers, writes Andrew Baxter

Europe's steel industry, battered by recession and deep-seated structural problems, moves into a new stage in its fight for survival and long-term prosperity this week after the resolution of a series of wrangles over state subsidies.

During the past year, unsubsidised steelmakers and their spokesmen have lobbied vociferously from the sidelines as the European Commission struggled to win approval from member states for a package of deals to end state aid.

Now, with industry ministers unanimously agreeing in Brussels on a deal involving some 5m tonnes of capacity cuts by state-aided producers, the spotlight shifts onto the non-aided steelmakers.

To fulfil the Commission's target of reducing overcapacity by 30m tonnes a year of crude steel, they would have to offer capacity cuts of 25m tonnes. Judging by the anger and sharp words following Friday's meeting, the cuts are unlikely to be handed to the Commission on a plate.

Some of the non-aided sector's planned cuts are already known. But most private-sector companies have held back from offering cuts until the state subsidy cases were resolved. The stance of the unsubsidised companies, therefore, is now crucial to the success of the entire initiative to restructure the industry. Unless overall capacity is reduced, the industry will have failed to address one of its fundamental structural weaknesses. The private sector, however, is deeply worried by Friday's deal and questions whether it will resolve the industry's long-term problems, whatever cuts in capacity are offered.

Mr Ian Rodgers of the British Iron and Steel Producers' Association says: "All the way along the Commission was looking for the easy way out, rather than the most stringent solution consistent with the Treaty of Paris."

The Commission and the industry ministers said that ending subsidies was the only way to secure a healthy EU steel industry. But by operating in the way it did, says Mr Rodgers, the Commission had failed to send the signal that countries could never come back with a begging bowl if a steelmaker gets into trouble. The industry's disappointment was shared by independent observers. "The nettle has not been grasped," says Mr Steven Randall of Beddows & Co, the London-based steel consultants. "Private-sector companies will ask why they should have to make cuts when loss-making state companies will survive for the foreseeable future."

There are two reasons, however, why the non-aided steelmakers are likely to come up with some or all of the capacity cuts, even though the Commission cannot force them to do so.

First, Mr Martin Bangemann, the EU's industry commissioner, warned on Friday that other elements of the Commission's rescue plan, such as Ecu240m (£183m) to help pay for redundancies, and safeguards to limit imports from eastern Europe, would be withdrawn if unsubsidised steelmakers did not volunteer capacity cuts.

Secondly, steelmakers are realistic enough to accept that, whatever their feelings, the subsidies agreement is now set in stone. By deliberately withholding capacity reductions in a declining market, the industry could be cutting off its nose to spite its face.

Mr Peter Fish, managing director of the Sheffield-based Meps Europe consultancy, says: "I think steelmakers will go along with the plan, albeit reluctantly, but whether the capacity cuts will be as deep as they might have been is a different question."

There is also concern about where the cuts will come from. Achieving a 20m-tonne reduction would require about 10m of cuts on top of the 10m-11m already indicated in Germany and France.

But Mr Fish believes this will come more from the long products sector, where reducing heavy overcapacity does nothing to help the flat products producers. "I don't see large integrated producers closing strip mill products plants – maybe a couple of plate mills and associated melting shops will close."

Editorial Comment, Page 13

Italians face tough task, says Savona

By Robert Graham in Rome

Mr Paolo Savona, the Italian industry minister, has warned that the country's steel industry faces a tight timetable to comply with the agreement reached last week by EU ministers to cut steel capacity.

The warning comes in spite of Italy obtaining a better deal than had been expected.

Government subsidies to the state-dominated steel sector and Italy's consistent refusal to reduce capacity has been the most serious source of friction on industrial policy between Rome and Brussels for more than three years.

The agreement, endorsed last Friday by EU industry ministers, involved Brussels accepting that Ilva, the Italian state steelmaker, envisages a reduction of 2m tonnes in overall Italian steel capacity. The concession accepted by Brussels was that this cut be spread between the state and private sector instead of wholly on Ilva.

The EU ministers also accepted that L500bn (£199m) in tax credits for Ilva would not be treated as subsidies.

Though pleased at being able to keep alive a third production line of flat products at Ilva's Taranto complex, the biggest steel works in Europe, Mr Savona warned Italy was under tight surveillance. The first inspection of a special monitoring commission would be in March.

If the timetables were not met and Italy failed to proceed with its planned privatisation of Ilva, the agreement could unwind. There would then be no further opportunity for the EU to endorse a state-aided solution to the losses in the steel industry.

The Italians also said they would watch the position of the British and Danish governments which have pledged to placed the deal before their respective parliaments.

The EU agreement on steel restructuring, once formally approved, paves the way for two other separate agreements, writes Andrew Hill. One is on a new structure for aid to the Union's coal industry, due to come into force on December 31, and another on the directive opening up competition in the oil and gas exploration sector. Before the steel pact was struck, Italy had been holding up these other two proposals in an attempt to persuade Germany to agree on the steel package.

The agreement paves the way for Ilva's privatisation, with the group being split into two – one for flat products, the other for special steels. Mr Savona said he expected that Iri, the state holding and Ilva's proprietor, should obtain L4,100bn from the sale, due to be competed by the end of 1994.

In tandem with the privatisation process, the government now has to address the problems of several loss-makers in the private sector and establish how at least 500,000 tonnes of annual capacity is to be cut. Mr Savona said that some 3m tonnes of steel was being produced by companies with problems.

The government's problems with Ilva's workforce and especially its sub-contractors are also unlikely to be resolved easily.

Between 10,000 and 12,000 jobs are expected to be lost at Ilva, over a quarter of the workforce. The Bagnoli plant at Naples has been closed for two years but occupied for most of this time by workers hoping the plant could be saved.

At Taranto 170 workers employed by sub-contractors forced the plant almost to shut down on two days last week.

PAOLO SAVONA, THE ITALIAN INDUSTRY MINISTER

'This is a good result of our discreet Italian approach. I don't think a government in the future will change the agreement. If we violate it we would have to leave the EU'

TIM SAINSBURY, THE UK INDUSTRY MINISTER

'Most of the package would involve an element of privatisation. In all three cases we are moving towards privatisation and there will be much fairer trading for steel'

MARTIN BANGEMANN, EU INDUSTRY COMMISSIONER

'The ball is very much in the court of the private steel industry. If the industry doesn't take a decision, and we can't force them to, then that is the end of the plan'

KAREL VAN MIERT, EU COMPETITION COMMISSIONER

'We have accomplished one piece, but we are far from finished. When you have to discuss state aid cases and you have to get unanimity, you can forget about it'

Aid lifeline for Ekostahl

Judy Dempsey on an east German town which hopes to stop the rot

Ingrid Krüger, 55, said: "Its a nice Christmas present." She worked at the Ekostahl steel mill for 27 years. But after German unification, like many other women in the plant, she lost her job.

"We waited three years for this decision from Brussels. It's a good day for the people of Eisenhüttenstadt. I just hope its for real."

Under the terms of Friday's European Union decision, the German government and the Treuhand privatisation agency will be allowed to pour more than DM1bn (£300m) of subsidies into the Ekostahl mill in the eastern state of Brandenburg.

The subsidies will be used to modernise the plant as well as install a hot-rolling mill. Riva, the Milan-based privately-owned steel company which has sole negotiating rights to buy Ekostahl from the Treuhand, reckons the mill will have an annual capacity of about 2m tonnes after modernisation is complete.

"I don't care about levels of capacity. The most important thing is that the mill will stay open," said Mr Ralph Bakema, a 42-year-old technician who has worked at Ekostahl for the past 20 years. "You see, there's nothing else around here. Eisenhüttenstadt was built around the steel plant in the early 1950s. If that goes, we'll have nothing left. The shops and services won't have any customers. The region will be a wasteland."

The shopkeepers were hoping business would pick up before Christmas. There was little activity along the town's main street. People were standing at the make-shift market stalls, drinking hot mulled wine or beer, stamping their feet to warm themselves. A few Poles had arrived. They immediately opened their car boots and started selling toys.

"Money is scarce. People go across the border to shop," said Heide, who was selling flowers. The border with Poland is only 20km away. "Why should anyone set up a business here when the wages are one-tenth the price down the road," she added. "Maybe if we really get those subsidies and find a buyer for Ekostahl, business might pick up."

More than 8,000 of a previous 12,000 workforce at the mill have already been made redundant. The unemployment rate in the town of some 50,000 people is running at 23 per cent. The subsidies are not expected to guarantee all the remaining jobs. If anything, the modernisation plan will require even fewer workers. The people of Eisenhüttenstadt have few illusions.

"I'm not so sure about the future," said Mr Helmut Appa, 52, who used to work at the plant until three years ago. "We'll only get real security for a certain number of jobs once the plant is privatised."

He added: "We fought hard for those subsidies. The steel producers over in west Germany never showed the slightest bit of solidarity with us. And I know why. They were afraid that if we managed to get the subsidies, we would really become competitive."

Mr Helmut Eckhert, a retired craftsman, said: "We should be given the chance to become competitive. And that is why we demand special treatment." When it was pointed out that Ravenscraig in Scotland had to close its gates because of overcapacity, he said Eisenhüttenstadt was a different case.

"We lost everything after the *Wende* (fall of the Wall). We lost the markets, the subsidies, jobs for life, cheap housing. Everything has gone too fast," he said. "Now Brussels tells us everything. How much to produce, how much to grow. Its ridiculous the speed in which we have been plunged into these changes," he added.

Steelmakers under Brussels microscope

By Andrew Hill in Brussels

After a year of acrimony, agreement last Friday set the seal on total aid of Ecu6.791bn (£5.17bn) for subsidised steel companies in Germany, Italy, Spain and Portugal. But it heralded a period of tough monitoring by the European Commission.

The subsidised companies will be cutting capacity of more than 5m tonnes, but virtually every step they take will be watched. If the Commission decides its conditions are not being respected, it could demand suspension or even reimbursement of subsidies.

The four member states will have to send the Commission reports at least twice a year on the producers concerned, covering everything from production levels to financial performance. In particular, companies will have to prove that any investment which increases steel capacity is not being financed by state aid.

Ministers agreed to write into each decision a clause stressing that if the company concerned does not return to profitability, further state subsidies will be turned down. Ministers also agreed to make a "firm commitment to avoid any further Article 95 derogations in respect of aid for any individual companies".

Article 95 allows the European Union to exempt subsidy plans from the outright ban on subsidies contained in the Treaty of Paris, on which the European Coal and Steel Community is based. As Commission and national officials admitted on Friday, the political declaration limiting aid will not be legally binding. Until the Treaty of Paris expires in 2002, governments will still be able to demand exemption for state subsidies: the implication, however, is that the Commission will be tougher next time in enforcing the treaty's ban on state aids.

Friday's meeting reached unanimous agreement on six separate proposals, making up the largest package of state aid for the steel industry since the crisis of the 1980s. These were the main conclusions:

European steel capacity cuts*

Company	Country	Aid (m Ecu)	Reduction ('000 tonnes)
SIDENOR	Spain	515	439
CSI	Spain	2,817	2,300
FREITAL	Germany	140	160
EKOSTAHL	Germany	428	462
ILVA	Italy	2,585	2,000**
SIDERURGICA NACIONAL	Portugal	306	140

* EU cuts agreed for state-aided sector

** Based on 1.2m tonnes of cuts at Ilva's Taranto plant, 500,000 tonnes at plants owned by the eventual buyer of Taranto, and 300,000 tonnes in the Commission's original figures for Ilva's dormant Bagnoli plant.

Source:- European Commission

Ilva: the state-owned Italian producer will cut 1.2m tonnes of annual production at its Taranto plant, and the buyer of Ilva's flat products business will close a further 500,000 tonnes elsewhere – although the product area is not specified as the British industry has pointed out.

No figure has been put on the capacity to be cut at Bagnoli, a dormant hot strip mill which will be shut down for good. In the Commission's original figures Bagnoli accounted for 300,000 tonnes, but Italy always argued it was worth more. Bagnoli must still be closed but in the final document the figure for capacity reduction has been left blank.

Ekostahl: The UK and Denmark were worried about the restructuring of the east German producer and at one point it looked as though Denmark might block an overall deal, on the grounds that steel from Ekostahl would compete directly with a non-aided Danish plant. In the end the two countries won key amendments to the deal. Production at the company's new hot strip mill will be limited to 900,000 tonnes a year until 1999. For the five years after that, according to the Commission, it will be limited to "significantly below 2m tonnes".

Mr Tim Sainsbury, the UK's industry minister, was more precise about the figure. On Friday he said he had won a commitment from the Germans that Riva – the Italian company which is bidding to buy Ekostahl – would limit annual production to 1.65m tonnes up to 2004.

Mr Melchior Wathelet, the Belgian industry minister who chaired the meeting, stressed that new production during the first five years would be used "exclusively for further processing in Ekostahl's cold rolling facilities". He also said that 1.65m tonnes represented the capacity of the cold rolling facilities at Ekostahl.

CSI: The Spanish industry minister, Mr Jose Manuel Eguiagaray, managed to persuade his counterparts that the flat products plant at Ansio, near Bilbao, would close at the end of 1995, instead of the middle of 1995 as originally agreed with the Commission. However, he signed up to a text which said CSI would do its best to close the plant earlier.

Deals involving Siderurgica Nacional in Portugal, Freital in Germany and Sidenor in Spain completed the package.

Trafalgar House-Bouygues contest

By Andrew Taylor, Construction Correspondent

Two of Britain's and France's largest construction companies are leading rival consortia which have been short-listed to bid for one of Europe's largest private infrastructure projects.

Trafalgar House of Britain and Bouygues of France are competing to build the £500m privately-financed toll road bridge across the river Tagus close to the Portuguese capital, Lisbon.

French and Portuguese authorities established good relations during the recent Gatt trade negotiations when both countries adopted similar policies on agriculture.

Trafalgar House, however, is understood to have stressed in negotiations that its consortium commands a higher proportion of independent Portuguese companies than the Bouygues-led bid. Trafalgar holds just under 25 per cent of its Lusoponte consortium. It also has a French partner, Campenon Bernard, which holds a similar stake. Five Portuguese companies own the remaining 50 per cent.

Bouygues's bid is supported by Dragados, the Spanish construction company. Both groups are understood to have stressed the importance of their local Portuguese operations. The contract is viewed as an important potential stepping stone to other projects as European countries increasingly look to private companies to finance developments which previously would have been funded by the public sector.

Bouygues and Trafalgar House have led the way in building private infrastructure projects in their own countries.

The concession to operate the new bridge, due to start operating in 1998, is expected to run for 30 years. Contracts are expected to be signed with the successful bidder by March. The two consortia have been short-listed from an original list of six bidders. The 18km toll viaduct and cable bridge proposed by Trafalgar would become part of the city's northern regional highway system.

Financial backing for Trafalgar's bid comes from five Portuguese financial institutions and 11 international banks.

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Kiev claims preliminary pact on compensation for arsenal

Ukraine nears nuclear deal

By Jill Barshay in Kiev

The Ukrainian government said at the weekend it had reached a preliminary agreement with the US and Russia on the "idea of compensation" in exchange for Ukraine's relinquishing of its nuclear arsenal.

There was no confirmation of the deal yesterday in Washington or Moscow. However, Mr Al Gore, US vice president, said in Budapest at the weekend that "all sides will tell you that progress is being made."

If a concrete agreement on financial compensation for uranium is worked out in subsequent talks, it would remove one of the three main conditions Ukraine has imposed for giving up its remaining 176 strategic missiles and becoming a non-nuclear state.

Kiev's other two demands are technical aid for dismantlement and security guarantees.

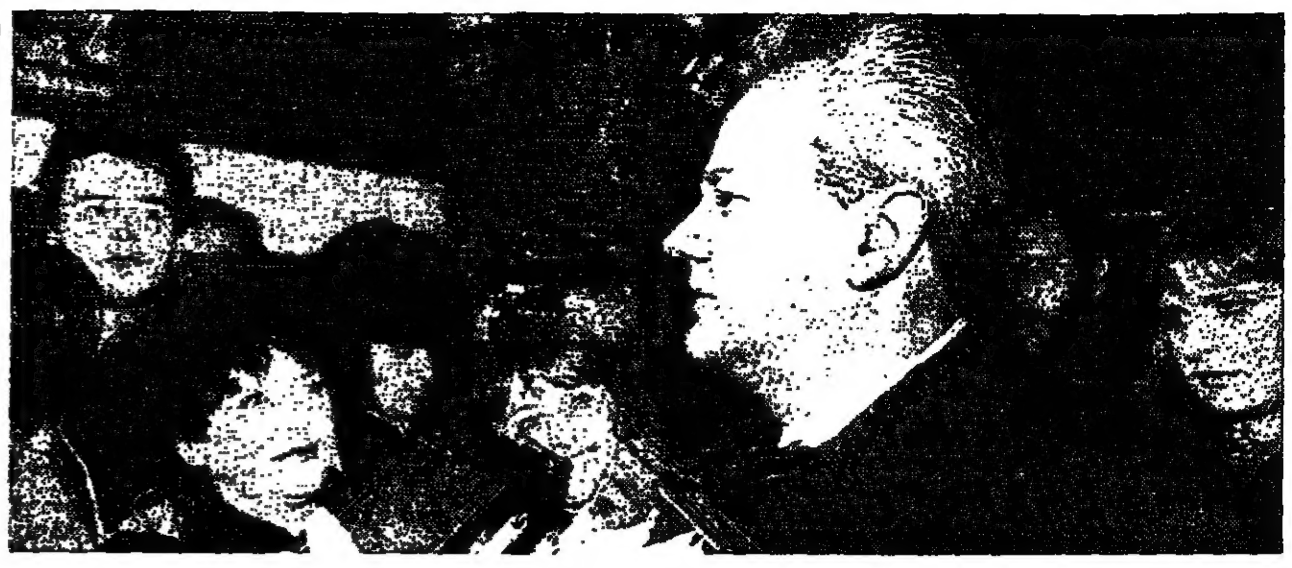
Ukraine's presidential foreign affairs adviser, Mr Anton Buteiko, also reported in an interview with the Financial Times that during trilateral talks, which lasted until midnight, experts were finalising agreements on technical assistance and progress was being made in negotiations on guarantees.

According to the government press service, Mr Valery Shmarov, deputy prime minister, said: "The idea of compensation for tactical weapons was accepted." He was referring to the 2,760 short-range nuclear warheads Ukraine transferred to Russia last year. Mr. Shmarov hoped that compensation for these warheads would offset Ukraine's $2.5m energy debt to Russia.

"As part of compensation for strategic weapons, agreement was reached to supply uranium for Ukrainian nuclear power stations for five years."

Trilateral discussions between the US, Russia and Ukraine have been going on since early autumn. Ukraine's announcement followed two days of talks on Thursday and Friday.

Kiev's public posture seems to be an attempt to take advantage of the west's possible new sympathy for Ukraine's security concerns in the wake of the nationalist victory at the Russian polls. While the west is reassessing its relations with Russia, Ukraine may be hoping create some rapid momentum to get the best deal it can.



Serbian President Slobodan Milosevic votes at a Belgrade polling station yesterday. His ruling Socialists, writes Laura Silber in Belgrade, are struggling to retain power amid economic collapse in the sanction-bound country. Yesterday's parliamentary elections, the third in four years, were widely seen as a popularity contest for Mr Milosevic *Associated Press*

Budapest storming towards Christmas

By Nicholas Denton in Budapest

East Europeans had a word for it in the bad old days of the command economy: "storming", the frenetic effort to fulfil plan targets in the last days of a month or year.

Some things do not change. In this week before Christmas, investment and common-garden bankers, executives, lawyers and brokers are racing to beat deadlines as breathlessly as communist-era coalminers and steelworkers ever did.

Lawyers are pulling all-nighters at Baker & McKenzie. "You can cut the atmosphere with a knife," says Mr Peter Magyar, partner at the law firm. "Everybody is just incredibly tense."

The Kempinski, Budapest's premier hotel, crawls with "stormers" desperately trying to complete deals in time to get away for Christmas or at any rate before the new year.

So what is going on? The capitalist financial year is proving as hard a taskmaster as the communist plan period and, in age-old Hungarian fashion, everything has been left again to the last minute.

Hungary's generous investment incentives giving five-year tax holidays expire on December 31. So privatisers, foreign buyers and their advisers are trying to rush through transactions before the new year. "I've never had so many deals going on at the same time," says Mr Peter Kadas of investment bank Credit Suisse First Boston.

The privatisation timetable for Matav, the Hungarian state telecoms company, is so tight that participants call it insane. "I wish they would learn that Christmas is the season for relaxation," says Mr Ed Mattix of US West, one of the telecoms companies bidding.

Hungary's bankers too are busy preparing for extraordinary general meetings next week at the three largest, and deeply troubled, commercial banks. Shareholders have to agree to the terms of a government bail-out to restore their capital before closing the 1993 accounts.

Not everyone is storming, however. Most Hungarian manufacturers close down over between Christmas and the New Year and factory workers can take it easy. The communists had another expression: capitalist exploitation. This is capitalism. But who is exploiting whom?

South's oil-rich infants vulnerable to Moscow bullying

Popularity of neo-fascist Zhirinovsky increases Russian threat to republics, writes **Steve LeVine**

The southern belt of the former Soviet Union and its infant petro-economy is perhaps the most vulnerable of Moscow's neighbours to a more aggressive foreign policy.

The region, from the Black Sea to China's western border, seems threatened on various levels by the resurgent Russia promised by the Liberal Democratic leader, Mr Vladimir Zhirinovsky, whose neo-fascist party won a large bloc of seats in parliamentary elections just over a week ago.

Among the worries south of Russia is the prospect of agitation by the south's ethnic Russian population which, according to incomplete returns, supported Mr Zhirinovksy in equal or even larger numbers than he received overall at home.

The backdrop to the anxiety is that, while much of the region may manage to assert itself once its oil and natural gas industries develop, the south still manages little resistance to Moscow's political and military dominance. Even before the election, an aggressive Moscow had reclaimed rights in Azerbaijan's rich offshore oilfields, Georgia's strategic Black Sea ports and Tajikistan's mountainous buffer zone against radical Islam.

The first signs of trouble have already appeared in the eight-nation region (Kazakhstan, Turkmenistan, Uzbekistan, Tajikistan, Azerbaijan, Armenia, Georgia and Kyrgyzstan). In Kazakhstan, Mr Zhirinovsky's birthplace, which like Ukraine has a large ethnic Russian population, a nationalistic Slavic group called Lad (Concord) adopted some of Mr Zhirinovsky's ideas at a political conference last Saturday. The conference, held in the Russian-dominated northern city of Pavlodar to prepare for the republic's March 7 parliamentary elections, approved a platform including the establishment of a joint army and open borders with Russia, a return to the rouble zone, and the legalisation of dual citizenship.

Mr Valery Galeyko, head of Pavlodar's leading Russian-speaking association called the Slavic Community, says Lad also plans alliances with local ethnic Germans, Tatars and Chechens, to oppose what it considers Kazakh discrimination. "We need dual citizenship to restore the destroyed Soviet Union," Mr Galeyko says.

Lad's declaration may be only the beginning of the republic's ethnic problems resulting from the elections. "When a neighbour's house is burning you cannot stay quiet," says Mr Manash Kozybaev, a historian in the Kazakh capital, Alma-Ata. "Russia is not burning yet, but there are those who want to set it on fire."

Kazakhistan is also insecure economically. Although one day it will be wealthy from its huge oil resources, today it is entirely dependent on Russia to refine and transport its oil.

All of central Asia is vulnerable to Moscow to some degree.

Russian forces, for example, are the conspicuous military backbone across central Asia's southern border with Afghanistan and Iran. Some 6,000 Russian officers supervise Turkmenistan's fledgling army. Ninety per cent of Uzbekistan's military officers are ethnic Russians. And Tajikistan is completely dependent on a more than 25,000-strong Russian force to protect its southern and eastern frontiers against a radical Islamic-led opposition.

The same predicament is faced in the Caucasus. Before agreeing grudgingly to join the Moscow-dominated Commonwealth of Independent States, Georgia and Azerbaijan reached the brink of disintegration in wars that were armed and, according to an abundance of evidence, encouraged by forces in Moscow.

Azerbaijan now seems likely to face even greater pressure to succumb to Russian demands for a 20 per cent stake in a British Petroleum-led consortium that has negotiated rights to exploit 4bn barrels of offshore oil. Moscow also wants Baku to abandon the idea of shipping its oil through Turkey, a step that would strip Russia of its leverage as Azerbaijan's sole distribution point.

NEWS IN BRIEF

VW agrees Seat restructuring plan

Volkswagen said its supervisory board approved a restructuring plan for its loss-making Seat subsidiary in Spain after an extraordinary meeting on Saturday, Reuter reports from Berlin. Volkswagen said that it would spend about DM1.3bn ($760m) on measures at Seat by 1998, including DM575m in 1993. The company also plans a capital injection of DM1.5bn. Seat's work force would be cut by about 9,000 from 22,400.

Military resignations hit Greece

Greece's Socialist government faces an awkward task in replacing 35 high-ranking military officers who resigned at the weekend in protest at the recall of four retired officers to head the general staff, writes Kerin Hope in Athens. The country's military command structure has been virtually wiped out by the mass resignations, which included a dozen lieutenant generals and all but one admiral serving on the naval command council. The officers are reportedly reluctant to serve under the ageing commanders appointed last week because of their close ties with the governing Panhellenic Socialist Movement.

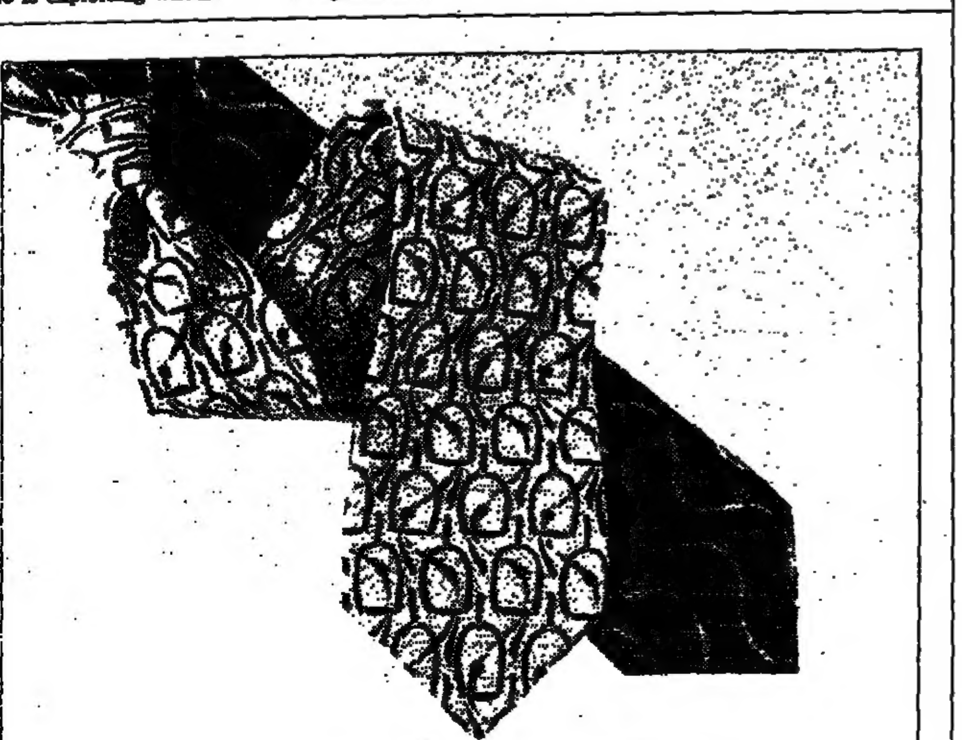
Romania wins no-confidence vote

Romania's minority government has hung on to power after narrowly winning a no-confidence motion lodged by pro-reform opposition parties, reports Virginia Marsh in Bucharest. After 13 hours of debate, the motion was overturned by 236-223 late on Friday, with 25 MPs not voting. It was the opposition's fourth no-confidence motion this year, but the first based on exclusively economic grounds.

Finnish exports worry France

France has expressed concern to Finland about increased Finnish forestry exports to the French market, a Finnish foreign ministry official said yesterday, Reuter reports from Helsinki. The French also voiced hope in a diplomatic note that the matter could be settled in a way that did not affect Finland's negotiations to join the European Union, Mr Antti Satuli, general director for external economic relations, said.

Foreign trade minister Mr Pertti Salolainen said he took the French note "very seriously". "There is a possibility that if we can't reach an agreement it might complicate the membership negotiations."



Washington upset at fall in sales of semi-conductors

US seeks chip talks with Japan

By Nancy Dunne in Washington

The US will request special consultations with Japan over falling sales of US semi-conductors in the Japanese market.

With the Uruguay Round negotiations mostly behind them, US officials expect to focus on the thorny trade relationship with Japan, including the failure of Japanese companies to reserve at least 20 per cent of the Japan semi-conductor market for imports, as specified under the 1991 Semi-Conductor Arrangement.

According to Miss Charlene Barshefsky, deputy US trade representative, the foreign market share for the third quarter of 1993 is believed to have fallen to about 18.5 per cent, down from 19.2 per cent during the second quarter and 20.2 per cent in the first quarter. US and Japanese officials are to meet this week to evaluate the numbers.

In the special consultations, the US will present "a variety of steps which we believe they can take to rectify the situation", said Miss Barshefsky.

In a speech last week she said the area of greatest US concern was a proposal by the Japanese Cultural Affairs Ministry to permit a broad right of reverse engineering of computer software.

"This is not the law in the US; this is not the law in Europe. Any attempt to embark upon this course, which has very serious implication for our software producers and for US creativity and ingenuity in this area, would be met with great seriousness on the part of the US," she said.

She indicated dissatisfaction with the results of a bilateral agreement on Japanese government procurement of super computers. US super computers have won a few contracts but mostly when they were in partnership with Japanese companies or the US bids were uncontested.

Miss Barshefsky also called into question Japan's commitment to ease foreign access to its cellular telephone market. It had agreed to develop an analogue cellular system in the Tokyo-Nagoya corridor which would then be supplied by foreign cellular telephone producers.

Hanoi hardliners put reform under threat

Iain Simpson sees stumbling on the path to market economy

As Vietnam begins to count the rising social cost of its gradual transition to a market economy, there are renewed calls within the Communist party for reform to slow down.

At the current session of the Vietnamese National Assembly (parliament), deputies – almost all of whom are also party members – are engaged in a heated debate on the direction and speed of economic reforms.

For all the talk of reform and more openness in Vietnam, the assembly session is strictly off-limits to outsiders. However, sources in the assembly and other observers say the debate is focusing on the "social evils" of corruption, unemployment and the growing gap between rich and poor in Vietnam.

Deputies from the more conservative wing of the party argue that these problems are a direct result of the country's gradual transition to a market economy. They say the process must be slowed down so the government can again take control over the economy and institute some kind of social welfare for people who have suffered under the reforms.

Foreign observers say these arguments are gaining ground from reformists, who say social problems such as these are caused by trying to straddle two economic systems. They say the sooner the government abandons the remains of a centrally planned system, the sooner it will be able to deal with these problems.

None of the social problems being debated at the assembly is solely the result of the government's reforms. However, many have appeared or got much worse since they were introduced in 1986.

More than 2m people are jobless out of a working population of about 34m, and at least 5m more are seriously underemployed.

This high rate is a result of both domestic and international changes. State factories which have been forced to close because they cannot compete have laid off tens of thousands of workers. Meanwhile, several hundred thousand were put out of work when the army withdrew from Cambodia in 1989.

Others were working in the formerly communist countries of eastern Europe and were sent home after those regimes collapsed. Still others were farmers who fell victim to the dismantling of agricultural collectives in the north.

Nevertheless, some conservative party members have argued that because unemployment first appeared after the reforms were instituted, they caused it, and rolling them back would solve the problem.

Corruption, another subject of debate, is endemic. A year-long government campaign has produced hundreds of examples of graft among senior and junior officials but the interior minister, Mr Bui Thien Ngo, has already told the National Assembly that the effort to curb corruption has failed.

The debate in the assembly appears to have grown out of concern that, if they are left unchecked, the growing wealth gap, rising unemployment and widespread corruption could lead to social unrest.

Reformers argue that if the government can create jobs through foreign and domestic investment and continue its efforts to check corruption, unrest can be avoided.

However, the conservatives continue to say that unless more central planning government control are reintroduced, there could be a descent into chaos. In the current political atmosphere of Hanoi, their arguments carry a great deal of weight.

Vietnamese Prime Minister Vo Van Kiet has demanded tougher penalties against corruption, saying Hanoi must win back the people's confidence as waves of graft and money-worship sweep the country, Reuter reports from Hanoi.

Mr Kiet said Hanoi would strengthen anti-corruption laws in 1994 and 1995 and would launch a "large campaign" to dissuade government departments from luxury spending, the official Vietnam News Agency reported.

"The situation has become so serious that it should be prevented and driven back by the efforts of the government and the active participation of the whole society," the agency quoted Mr Kiet as telling parliament on Saturday.

Burmese and Japanese carry banners and portraits of Burmese Nobel peace prize winner and opposition figurehead Aung San Sun Kyi during a protest in Tokyo yesterday against her long incarceration by the Rangoon regime. Reuter

Debts hamper poor states' recovery

By Michael Holman

Heavy debt repayments to the IMF and World Bank by the world's poorest countries are holding up their recovery and the loans should be rescheduled or written off, says a report published today.

The report, by the British charity Oxfam, calculates that debt repayments to multilateral creditors by 19 "severely indebted, low-income countries" now account for 30 per cent of their debt service payments. This is "more than double the level a decade ago". Most of the countries are in Africa.

Payments to the IMF represent a "special problem", according to the Oxfam analysis, "since they have outstripped the provision of new finance by some \$2bn since the mid-1980s".

The report proposes a new issue of Special Drawing Rights by the Fund geared specifically to debt reduction, and the sale of 10 per cent of the IMF's gold stocks to finance a debt write-off for the world's poorest countries.

The paper takes Uganda as an example of the group's predicament. Scheduled repayments on the country's debt for 1992-93 came to \$173m, more than 80 per cent of export earnings. Actual repayments amounted to less than half. Of these, about 50 per cent went to multilateral creditors, mainly the IMF and the Bank.

By 1997, when repayments on a IMF structural adjustment loan fall due, almost a third of Uganda's debt service commitments will be to the Fund.

The Oxfam paper also warns that Africa's overall debt crisis is deepening, with the debt stock tripling over the past decade. The charity calls for the immediate adoption of the Trinidad Terms, which allow for between 66 and 80 per cent write-off of Paris Club debt owed to official, bilateral creditors. It blames "resistance" by the Japanese government and general "indifference" among creditors for the delay in adopting the terms.

**Uganda: Debt as an obstacle of recovery, Oxfam, 274 Banbury Road, Oxford OX2 7DZ. Tel: (0865) 311311. Fax: 312417*

Chinese warn Britain on business prospects

British companies will continue to lose out in competition for business in China unless Hong Kong governor Chris Patten backs down and shelves his democratic reforms, the governor of China's Guangdong province has said, Reuter reports from Guangzhou.

"Patten terminated Sino-British talks by adamantly submitting his political reform bill to the Legislative Council, so of course he has to be held responsible," Mr Zhu Shenlin told Hong Kong reporters on Saturday, in comments similar to those he has made in the past.

"It needs the one who tied the bell to untie it."

Mr Li Ziliu, Guangzhou's mayor, earlier said most British companies had been excluded from an underground railway project in the town because of the row over Hong Kong.

His comments have prompted British business officials to warn that by proceeding with this stance China risked damaging its international trading standing.

They said such action would not help Beijing's efforts to join global trading treaties such as the General Agreement on Tariffs and Trade.

Correction

Gatt

The Financial Times of December 16 incorrectly quoted Mr Nikolaus Boemcke, secretary general of the European Banking Federation, as implying that financial services and shipping had been excluded from the Uruguay Round agreement on global trade liberalisation. In fact, both sectors are included in the agreement. Further talks are continuing to settle outstanding differences in these areas.

Algiers term extended

The mandate of Algeria's five-man presidency, which was due to step down at the end of the year, has been extended to January 31, the official news agency APS reported yesterday, Reuter writes from Algiers.

The presidency, which is called the High Council of State (HCE), has ruled Algeria since the cancellation in January 1992 of a general election that the fundamentalist Islamic Salvation Front (FIS) party was poised to win. The FIS was later banned.

APS also said a long-planned national conference, designed to chart Algeria's path to democracy after a transitional period expected to last two to three years, would be held on January 25 and 26.

Both announcements were made by the High Security Council, which is Algeria's highest constitutional authority, after a meeting yesterday.

The conference is being organised by a National Dialogue Commission, named by the HCE two months ago to forge a consensus on the country's political future.

Since the vote was cancelled, Algeria has been gripped by violence, blamed by the authorities on Moslem militants, in which 1,800 have died.

Opposition has vowed to disrupt multi-party election

Soldier killed during Guinea poll

Opposition militants protesting against Guinea's presidential election stabbed a soldier to death in the capital Conakry yesterday, the Interior Ministry said, Reuter reports from Conakry.

Journalists said at least three civilians had been killed in clashes between supporters of the ruling party and the opposition, but ministry officials were not immediately able to confirm the reports.

The opposition urged President Lansana Conte to postpone Guinea's first multi-party election, but when its plea fell on deaf ears it vowed to do all in its power to disrupt the poll, in which Gen Conte faces seven opponents.

Witnesses said polling stations in Conakry's Hafiya district were burned down on Saturday night and those in Sangoya and Cig-Madina were attacked yesterday morning.

State radio said voting was normal in the interior in the towns of Kindia, Koya and Boke, but there was no immediate word from the mining town of Kankan, a bastion of the Guinean People's Assembly (RPG), the oldest opposition movement.

The centre of Conakry, a centre of support for Gen Conte's Party of Unity and Progress (PUP), was calm.

Guinea has never had a real election since independence from France in 1958. Until he died in 1984, Guinea was run as a one-party police state by President Sekou Toure.

The Geneva-based International Commission of Jurists said last Wednesday it had cancelled plans to monitor the election because it was not satisfied with arrangements.

Vehicle traffic apart from essential services was barred in Conakry from midnight but residents said troops were out in force at 6pm.

Gen Conte took over in a 1984 coup and only agreed to multi-party politics under foreign and domestic pressure. Scores of people have died in violence since May.

INTERNATIONAL PRESS REVIEW

India

In few other countries have demands for the scrapping of the Gatt accord been so loud as in India. No sooner had Mr Peter Sutherland declared the negotiations completed than Indian opponents of the agreement went onto the offensive.

They argued the ruling Congress (I) party had failed to defend India's interests, fanning fears that the accord would somehow deprive India's poverty-stricken farmers of subsidies and of the rights to use their own seeds without infringing patent laws. The intellectual property rights clauses would also, it was alleged, rob India's poor of cheap medicines.

The Economic Times, the business daily, tackled these attacks head-on in its main leader on the Gatt agreement entitled "Ill-informed objections". The paper said skilful propaganda by the domestic drugs lobby had fooled well-meaning people into regarding the Uruguay Round as "a western conspiracy to re-colonise India". **Business Standard**, another business daily, supported the view that attacks on the agreement were mostly born of ignorance. But it added there was genuine concern about textiles – India would have to wait 10 years before the Multi-Fibre Arrangement was phased out. "Here the politics of world trade, where India is a lightweight, worked against it."

The Pioneer took up the point, saying the bulk of the benefits of the accord would be shared by the US and Europe.

The dominance of the developed world in the talks was also forcefully taken up by the nationalist **Indian Express**. It argued in its leader that developing countries were being forced to follow economic strategies which benefit industrialised nations by providing markets for their exports. "Late starters in industrialisation are to be held on a tight leash through discriminatory patents and forced to import instead of building on their manufacturing capabilities."

The whole agreement reflects the overwhelming power of the US, fumed the Express. "Gatt has become a coercive instrument for the promotion of the American interest." In the view of the Economic Times, such views are a distortion. It argued that the agreement would bring growth, trade and other benefits for India. "The issue is not India vs the World," it said. "But Producers vs Consumers."

Balladur (left) and Chirac: who did better from the Gatt agreement? Reuter

United States

The visiting senior editor from the **Sacramento Bee** was waiting in the White House press room on Wednesday to hear President Bill Clinton express satisfaction with the Gatt agreement. "There was a time when we could not get trade into the paper," he observed, "now we can't keep it out."

Certainly no trade agreement can have received the blanket coverage accorded the Uruguay Round by the US press last week, with most twists and turns of the final negotiations closely followed, backed up by charts, tables and histories of Gatt. It was more often than not the front page lead story, until ousted by Les Aspin's resignation as secretary of defence. Even television, rarely at ease with complex economic issues, gave it reasonably full treatment.

Editorially, most US newspapers have traditionally been overwhelmingly in favour of free trade. This week's leader headlines reflected this. "After seven years, a global gift" - the **New York Times**; "At last a hurrah at the trade talks" – the **Los Angeles Times**; "The world wins one" – the **Wall Street Journal**; "The big winner" – **USA Today**.

There was some marginal disappointment at what was not achieved ("It is much less than it could have been," said the **Journal of Commerce**; "It will not turn out to be ideal... there are a number of disappointments," said the **Washington Post**) but near unanimity that failure would have been disastrous ("Its individual provisions are much less important than its vibrant message," according to the New York Times.)

Predictably, the Wall Street Journal, found it hard to praise the administration ("It seems to be dawning on some people – including some former interventionists around the White House – that government is simply too slow and clumsy to manage trade") and was sharpest in criticising the EC resistance to more liberal audio-visual trade. ("The EC doesn't have a 'cultural identity'. It has at least 12, even thousands.")

France

Mr Jacques Chirac, mayor of Paris and member of parliament for Corrèze, is pictured on the front page of this week's **Le Canard Enchaîné**, the satirical magazine, clad in farmers' clothes and grimacing at a newspaper that trumpets the successful conclusion of the Gatt negotiations.

"Gatt: Balladur's Success," cries the newspaper headline. "No!" growls Mr Chirac, who has a pitchfork tucked under his arm. "They still haven't dealt with the Corrèzienne issue."

Other cartoons in Le Canard feature Mr Edouard Balladur himself, the mastermind of France's Gatt machinations and Mr Chirac's main rival for the conservative ticket in the 1995 presidential elections. 'Cher Edouard' is shown looking even smugger than usual.

The rest of the French press may have painted a slightly subtler picture than Le Canard's cartoonists of the political consequences of the Gatt affair, but the message was the same. The agreement has been billed in France as a triumph for Mr Balladur and a potential setback for Mr Chirac's long-held presidential ambitions.

"The Right Crowns Balladur" crowed the front page headline of Thursday's **Libération**, the liberal-left daily. "In eight months Edouard Balladur has made the best possible use of his parliamentary majority to exert his influence over Chirac and Giscard [the other conservative leader], while remaining popular," said an article entitled "The Modest Triumph".

Le Monde was even more laudatory. "The confidence that the French electorate put in Edouard Balladur was not misplaced," it said under the portentous headline "The Balladur Era".

The only cautionary note was struck by the conservative **Le Figaro**. "Mr Balladur has proved with Gatt that he is an exceptional manager of international crises," said its Thursday editorial. "It remains to be seen whether he will show the same talent for dealing with the problems of this country – rising unemployment and social unrest."

Reports from Stefan Wagstyl, Jurek Martin and Alice Rawsthorn.

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1980s 'bubble' has hit their reserves, study shows

Japanese banks' loan woes

By John Gapper, Banking Editor

Japanese banks are so underprovided against bad loans from the "bubble economy" of the late 1980s that they would be left only with "hidden reserves" of capital from holdings of securities if provisions were raised to the right level, according to a study of the profitability of 300 international banks.

The study by the European bank ratings agency IBCA finds that the aftermath of the late 1980s boom has left the Japanese banking system as the least profitable in the world outside Nordic countries.

Akita, the most profitable Japanese bank, is only the 107th most profitable in the world.

The study argues that Japanese banks remain "substantially underprovided" compared with banks in other big countries. It says that if they were correctly reserved against poor loans, they would need to have "accumulated provisions of an amount equivalent to their current capital".

However, it acknowledges that Japanese banks – unlike those in other countries – can fall back on "hidden reserves" of undervalued securities holdings. It says their capacity to fund write-offs from these would be "threatened if the Tokyo stock market went into free fall once again".

The study, which calculates "real profitability" for banks by applying a common equity-to-assets ratio of 4 per cent and a common taxation rate of 50 per cent to each, finds that Banco Popular, the Spanish retail bank, is the most profitable in the world for the third year in succession.

Banco Popular is followed by Bangkok Bank and Hang Seng Bank, reflecting the high profits of banks in the Asia-Pacific region because of strong economic growth and the lack of sophisticated capital markets.

US banks, which have recovered strongly from problems in the late 1980s, also feature prominently, providing 11 of the 20 most profitable banks. The US market is found to have the highest returns on equity, of 14.2 per cent, compared with a return of 3 per cent in Japan.

British banks achieved a varied performance, with Barclays dropping to 285th in the top 300 banks in terms of profitability from a peak of ninth in 1981, and Bank of Scotland dropping to 128th from 2nd in that year.

However, Lloyds Bank has risen to 25th from 125th three years ago.

The most profitable British bank is HSBC Holdings, which is 16th most profitable as well as 15th largest bank in terms of assets.

HSBC is the only one of the top 50 banks in terms of asset size to rank in the 20 most profitable, and seven of the most profitable are among the smallest 100.

Retail Banking Profitability 1993-94; Lafferty Publications, IDA Tower, Pearse Street, Dublin 2, Ireland; £399.

Fox snaps up football from CBS

By George Graham in Washington

Mr Rupert Murdoch's Fox Network has dropped a bomb on the US sports television map with a $395m-a-year bid that has stripped American football broadcasting rights away from the venerable CBS network.

Fox, still viewed as an upstart among the US television networks with programming built around teenage soap operas and mildly salacious comedies, offered $1.58bn (£1.06bn) over four years for the rights to broadcast Sunday afternoon games from the National Football Conference, the stronger of the two professional American football leagues.

The bid was 50 per cent higher than CBS paid for the last four years and is believed to have been about $100m a year higher than CBS was willing to pay.

CBS is now understood to have made an offer of more than $265m a year for rights to broadcast games from the American Football Conference, the weaker league, but NBC, which currently holds these rights, may match the bid.

With ABC retaining the rights to a Monday night game for more than $225m a year, and the ESPN and Turner Network Television cable channels paying about the same for a Sunday night game, the professional American football leagues are expected to reap at least $4.3bn from television over the next four years.

Although American football games are widely watched, advertising revenues have not matched the high fees paid in recent years, although the games provide an important lead into evening programming. CBS is estimated to have lost around $100m on its NFC contract last year.

Mr Murdoch acknowledged Fox might lose money in the early years of the NFC contract, but said he expected to make money eventually, adding that the deal would make Fox into a real network.

Other television sports executives, however, believe Fox is certain to lose heavily on the contract, and viewed the bid as a desperate attempt to prevent some of Fox's 139 affiliated stations from defecting to other networks.

Latin American cash flows slow

By Stephen Fidler, Latin America Editor, in São Paulo

Capital inflows into Latin America slowed slightly this year but remain significantly higher than at the beginning of the decade, the United Nations Economic Commission for Latin America and the Caribbean said yesterday.

According to the Santiago-based organisation, net capital inflows fell to $54.6bn (£36.6bn) this year from $62.0bn in 1992, but compared with $39.3bn in 1991. The net transfer of capital to the region – which also takes account of interest and dividend payments abroad – slipped below $26bn this year from $33bn last year.

The main beneficiaries were Mexico, where net inflows rose slightly to $25.1bn from $24.7bn, and Argentina, where inflows dropped to $10bn from $12.9bn. Inflows into Brazil dropped sharply to $3.4bn from $8.8bn and into Venezuela to $1.32bn from $2.33bn. Capital inflows fell slightly into Chile to $2.89bn and into Peru to $2.86bn. Flows into Colombia rose from $167m to $1.52bn.

The commission said capital continued to come from non-bank private sources, noting that bond issues from the region reached $19.3bn this year. Foreign direct investment was maintained at "very high levels". However, the difference between interest rates in the US and in Latin America remained an important factor in encouraging capital.

The capital inflows – along with fiscal balance, more stable prices and growth – offered a virtuous circle which would generate confidence in the permanence of economic policy, said Mr Gert Rosenthal, the head of the commission. But he said worries remained about the size of the region's current account deficit, up to $42.6bn this year from $36.9bn in 1992.

Its preliminary assessment of the state of the Latin American economy showed a continuation for the third successive year of moderate economic expansion: 3.2 per cent, implying per capita growth of 1.3 per cent. However, if Brazil is excluded, regional growth dropped to 2.6 per cent from about 5 per cent in 1992.

Contestants line up for Australian Treasury job

Nikki Tait on the rivals to replace Dawkins

Willis: all the credentials

The king is dead. God save the king. Barely had John Dawkins, the Australian treasurer, announced his intention to resign last Friday, than speculation over his successor began. By the weekend's close, two names were at the forefront of the running.

The first is Ralph Willis, the finance minister. The 55-year-old politician, whose parliamentary career stretches back more than two decades and exceeds even Mr Dawkins', has all the credentials. He has held his present job for three years, and even took the treasurer's position for a brief period in 1991, during the final days of Mr Bob Hawke's administration. No one doubts his technical expertise.

Moreover, Mr Willis was a research officer with the powerful Australian Council of Trade Unions before entering parliament, and his appointment would be unlikely to raise problems with the Labor party caucus. This may be an important consideration: Mr Dawkins had been heavily attacked by both the unions and the party's rank and file, who claimed that he cared more about the nation's budget deficit than its double-digit unemployment rate.

But in contrast to the individualistic Mr Dawkins, Mr Willis is generally viewed as a "grey" politician, reliable but lacking in personal firepower. Whether this will appeal to Mr Paul Keating, the prime minister, is a moot point.

The second favourite contender, Mr Laurie Brereton, presents very different attributes. Unlike Mr Willis, Mr Brereton is viewed as one of Mr Keating's closest personal allies. Both were born into working-class Catholic families in Sydney and climbed the political ladder via the right-wing of the New South Wales Labor party. They have been friends and political associates since their teens. Mr Keating was best man at Mr Brereton's wedding.

But for most of his political life, Mr Brereton has played in the sometimes murky world of state politics. He did not move into the federal sphere until 1990, and his Canberra career only began to advance when Mr Keating took over from Mr Hawke.

After the last election, in March, Mr Brereton was made industrial relations minister. This was always going to be a tricky assignment. From the outset, Mr Brereton's main task was to negotiate a labour market reform package which was both acceptable to the unions and furthered the government's aim of encouraging enterprise-based bargaining. After months of deadlock, a compromise was duly hammered out – but not without intervention from Mr Keating and, in the eyes of critics, some unfortunate concessions.

So, while Mr Brereton is long on connections and has reputation for toughness, his credentials on the financial front are scant.

Given that neither of these men presents a perfect solution, there is no shortage of other names being put forward. Already, Mr Kim Beazley, the employment, education and training minister, has been tipped as a compromise candidate, as has Mr Simon Crean, the primary industries minister. Outsiders – who might benefit if a broader government reshuffle takes place – include Mr Michael Lee, the 36-year-old tourism minister.

But whoever takes over from Mr Dawkins will have little time to learn the ropes, a fact which may weigh in the equation. The outgoing treasurer's final act has been to reorganise the budget process so that finance bills are presented in May and then passed by the end of June.

This earlier presentation, with its built-in negotiation period, is designed to avert the embarrassing debacle which followed this summer's budget. Then, the legislation was stalled in the senate for two months while minor parties – who hold the balance of power there – haggled over specific measures.

So, since the prime minister's office has made clear that no successor to Mr Dawkins will be announced until early in the new year, this will give the new treasurer just five months to learn his brief. Mr Dawkins, safe in Fremantle, may look on with compassion.

NEWS: UK

Lifeline planned for loss-making Names

Andrew Jack on the Randall Group scheme for Lloyd's

Names on the Lloyd's of London insurance market facing substantial losses may soon be extended a long-term lifeline to help them meet the crippling demands being made on their assets, it emerged yesterday.

Mr Ken Randall, chief executive of Randall Group, the insurance advisor, said that he was close to announcing details of a financing package that would allow repayment over ten years of losses by Names, the individuals whose assets have traditionally supported the market.

The service is one of a number of initiatives being planned by Randall Group following the announcement yesterday that it had sold a substantial minority stake to J O Hambro Magan, the merchant bank.

Mr Randall said he had obtained the support of one US and several UK banks towards raising at least "a few hundreds of millions" and possibly more than one billion pounds on the Euro-markets which would be used to pay cash calls levied on Names.

The package would be structured so that Names would only pay interest on their loans for the first three years, and then equal-sized instalments of the capital owed over seven to ten years.

The announcement could provide welcome relief to many Names currently considering whether to accept a £900m out of court legal settlement with Lloyd's or pursuing lengthy litigation. The latest estimates from Chatset, the research group which covers the market, suggest Names could face demands for £8.65bn over the next 30 years.

Mr Randall said he had been working on the idea over a number of weeks and had held detailed discussions "at a very high level" within LLoyd's and was finalising a number of "technical hurdles".

He said the idea had already been test marketed, and that final arrangements were now being made. Names would be approved for the scheme on a case-by-case basis.

The idea has been supported with help from Magan, which yesterday announced that it had bought 49 per cent of the shares in Randall Group for an undisclosed sum.

The group will in the future concentrate on three areas: insurance consultancy and management, investment management of insurance funds, and introductory and advisory services for investors in the London market.

Mr Randall, a former head of regulation at Lloyd's, refused to provide details of the financial position of the company other than to say its annual turnover was several million pounds.

Jaguar boosts output by 43% over last year

By Kevin Done, Motor Industry Correspondent

Jaguar has increased output by 43 per cent this year to about 29,500 cars from last year's 20,593. The 1992 figure was the lowest for 11 years.

Following the drastic cut of around 45 per cent in its UK workforce in the two years 1991-92, the fortunes of Jaguar, a subsidiary of Ford of the US, have improved markedly this year. Its UK workforce has been virtually unchanged at around 6,450.

In contrast to much of the European car industry it has avoided short-time working during 1993, and since August it has been working significant overtime at its Coventry plants.

Its worldwide retail sales have risen by around 24 per cent this year to 27,500-28,000 from 22,475 in 1992 largely due to a strengthening of demand in the US.

Jaguar more than doubled its sales in the US in November to 1,356 from 616 in the same month a year ago.

About 70 per cent of its US business is now based on leasing.

The US remains Jaguar's single most important market worldwide, and its sales there have increased by 49 per cent in the first 11 months of the year to 11,358.

The luxury carmaker, has been in loss for five years in succession from 1989 to 1993, but the losses have been reduced significantly in recent months, as rising demand in the US has boosted production.

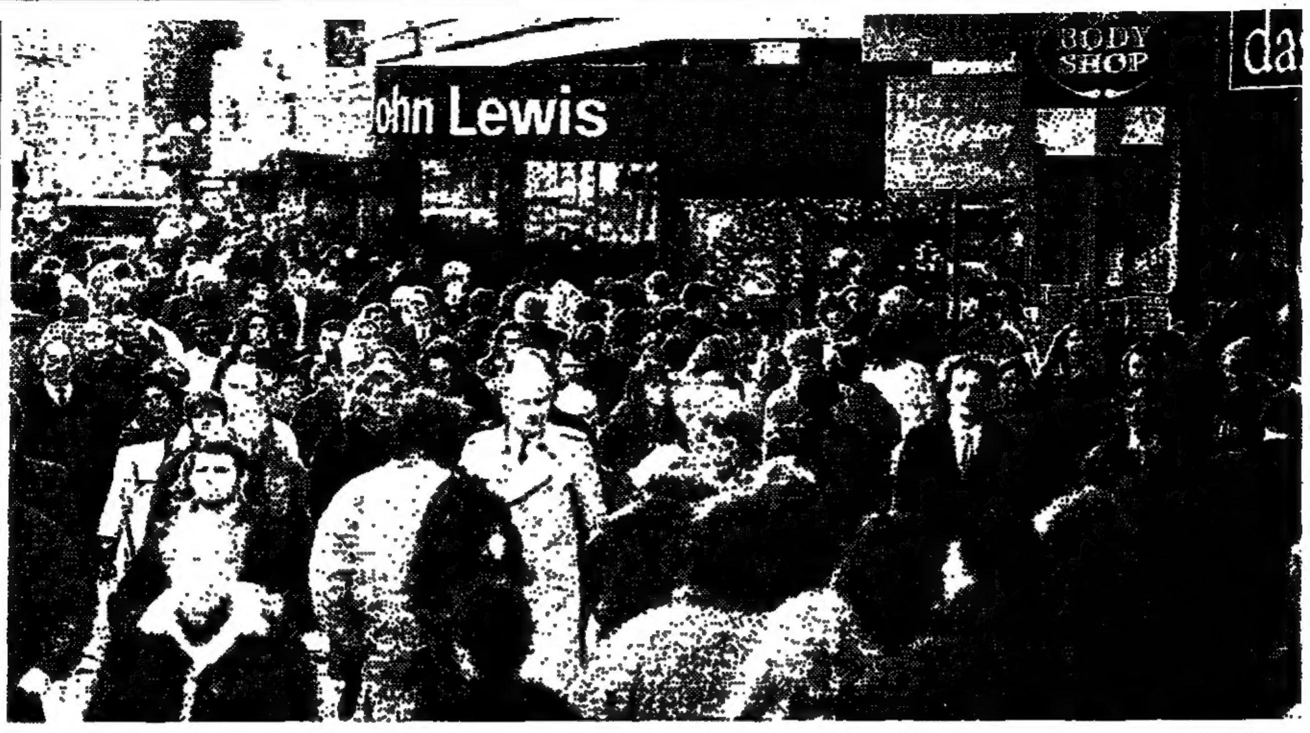
Its operating losses in the first nine months of the year were cut to $226m from $300m in the same period a year earlier.

Its losses in the third quarter were reduced to $108m from $135m, but the third quarter loss this year included a one-time charge of $65m for the closure of Venture Pressings, its 50/50 joint venture with GKN.

Jaguar is being increasingly integrated into Ford's European operations, and during next year production of the stamped body panels for Jaguar cars will be transferred from Venture Pressings to the Ford plant at Halewood, Merseyside, which has free capacity.

Jaguar expects output to rise further by more than 10 per cent next year to 32-33,000 boosted by the launch of a revamped version of its XJ6 luxury saloon, code-named X300.

Production of this car will begin in the summer – with the body panels sourced from Halewood – and Jaguar is hoping that output could be running at a rate of around 36-37,000 cars a year by the end of 1994.



Ashley Ashwood

Shoppers swelled London's Oxford Street as hopes rose that the feel-good factor would lift retail sales during the run-up to Christmas

Otis seeks lift from UK designers

By Andrew Baxter

Otis, the world's largest lift manufacturer, is hoping to expand its share of the recession-torn UK market through a new British-designed range of standard lifts which has cost it £70m to develop.

The US-owned group unveiled the range last week in a move that is likely to intensify competitive pressure in the UK lift market.

Mr John Leingang, chief executive of Otis in the UK, said the new range could significantly increase its share of the market for "model" or standard lifts by offering customers innovative designs in more than 2,400 permutations.

The UK lift industry has been badly hit by the construction industry recession, and the model lift market has been flat for the past 12-18 months, said Mr Leingang.

Even so, it is performing better than Otis' traditional market of high-specification, custom-built lifts for high-rise office blocks, which has virtually collapsed.

The new Otis 2000 series will be manufactured in France and Italy. It is the culmination of five years investment in customer research, techical innovation, safety improvements, modular engineering and systems, Otis said.

The interior was designed by London-based McColl Associates. Its biggest design gamble, said Mr Leingang, was side lighting – lift interiors are normally lit from the top.

● Despite last week's sharp fall in unemployment the number of British workers who fear they may lose their jobs in the next 12 months rose to over 50 per cent in December, according to the latest MORI/IRS survey for the Financial Times.

It is only the third time since the monthly surveys began last April that the fear factor has risen over 50 per cent and suggests that the budget has had a negative impact on perceptions.

Britain in brief

ASB fails to agree on goodwill

The Accounting Standards Board will today unveil two alternative proposals for the treatment of goodwill in companies' accounts after its own members were unable to agree a common line on one of the most controversial issues in accounting.

Goodwill is the difference between what a company pays to acquire another business and the value of the net assets of the company acquired.

It measures intangible assets, such as customers' goodwill, which are being acquired. But some companies have used goodwill in an attempt to disguise the high price they have paid for an acquisition.

The board's eight members were equally divided between allowing companies to put goodwill into a special reserve, or holding it on the balance sheet and writing it off as its value diminishes over time.

Mr David Tweedie, the board's chairman, said yesterday that if no agreement emerged he planned to hold open hearings to resolve the issue.

Quangos up spending 10%

Unelected quangos are growing in number, employing more staff and taking a larger share of public expenditure, according to research by the Financial Times.

Quangos, quasi-autonomous non-governmental organisations, increased spending by more than 10 per cent in the year to last April, much faster than inflation.

They now account for more than a fifth of public expenditure, with NHS trusts running hospitals, Housing Action Trusts financing homes for rent and an increasing number of schools and colleges becoming independent of local authorities.

Fisons plans to cut jobs, plants

Fisons, the troubled pharmaceuticals and scientific equipment group, is planning plant closures and large scale redundancies in a bid to restore confidence in the company following the dismissal last week of chief executive Mr Cedric Scroggs.

A restructuring programme already expected to save £25m in the pharmaceuticals division is to be widened to include a review of the loss-making scientific instruments business.

Mr Patrick Egan, chairman and acting chief executive, said yesterday: "Some parts of it will be closed, some sold and some rationalised. Turnover will shrink but its should become profitable."

The poor performance of the division, which is expected to make a loss this year of £16m against a £12m profit in 1992, was cited by the company last week as the main reason for Mr Scroggs' departure.

As part of the review, separate businesses manufacturing organic analysis equipment are likely to be merged while the loss-making surface science operation may be scaled back.

Bishop doubts Christmas story

The Bishop of Durham, the controversial Church of England prelate, ignited a fresh row by describing elements of the Christmas Story as "mythical" and casting doubt on the account of the Three Wise Men.

The Rt Rev David Jenkins, traditionally the fourth most senior man in the Established Church, said elements of the Christmas Story fitted so well together in a poetic way "that they look like compositions to express the faith that already existed".

Dr Jenkins told BBC television that "on balance" he did not believe the Three Wise Men delivered gold, frankincense and myrrh to the infant Jesus, and he had "begun to wonder" about the story of there being no room at the Inn. "Who knows?" he said

Dr Jenkins, who retires next July, has already caused outrage by using the phrase "conjuring trick with bones" in a discussion on the Resurrection.

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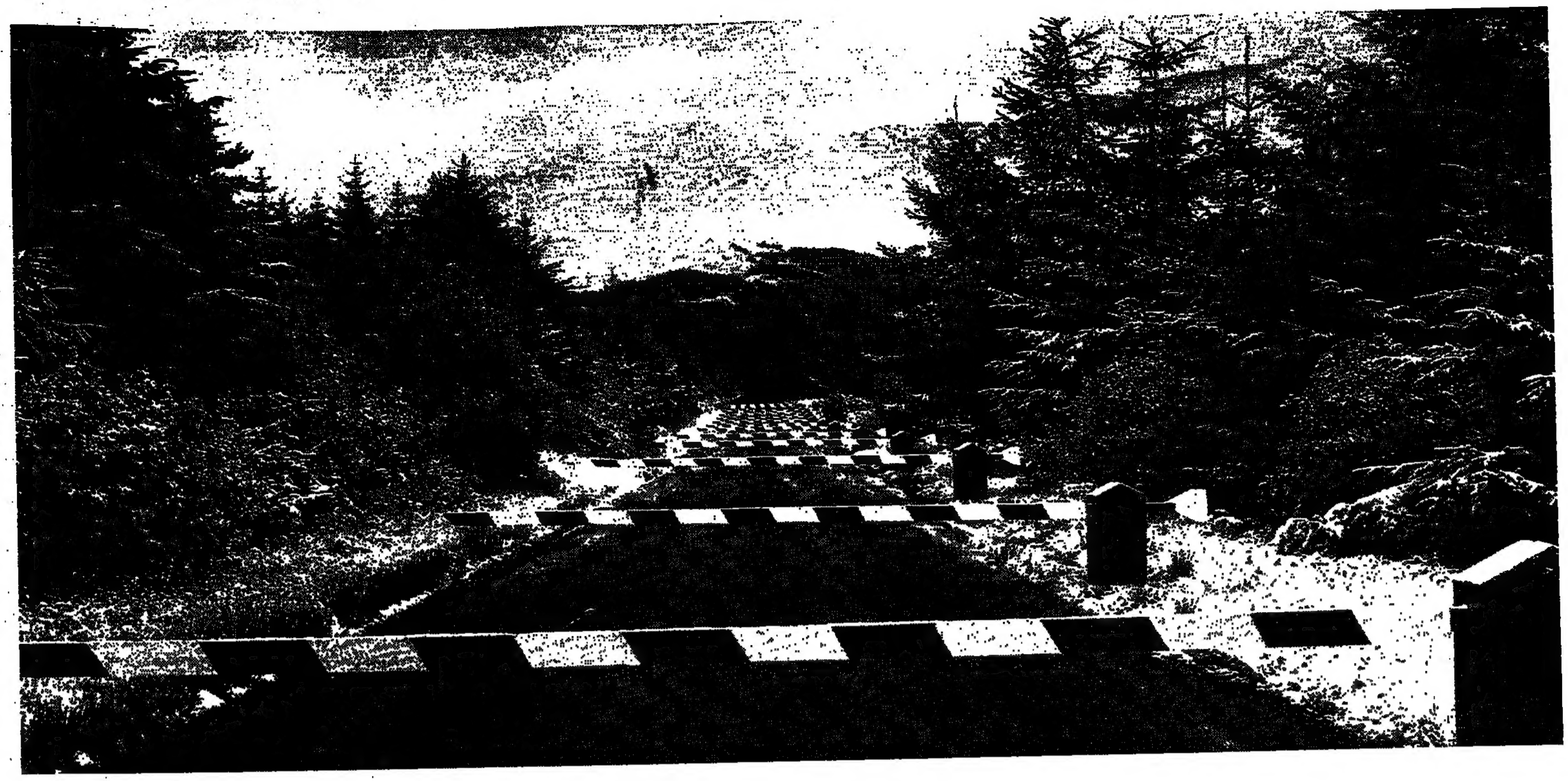

We believe that borders don't have to be hurdles.

Today's financial reality is a world of change. A world where capital floods across national boundaries as cross-border transactions become more and more important sources of financing for companies.

At Merrill Lynch the heart of our philosophy is to link market to market, capital to companies and people to opportunities.

Our global network is uniquely able to match issuers with investors, not just in their country and currency of origin, but wherever in the world an opportunity arises.

In Europe alone we have advised on and implemented over $6 billion worth of mergers, acquisitions and privatisations often of a cross-border nature since the beginning of 1992.

For example, we advised on the privatisation of the Hungarian tobacco industry where transactions were concluded with B.A.T, Philip Morris, RJR and Reemtsma; and we acted as book running manager for the U.S. offering in the recent privatisation of B.N.P.

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TIPS FROM THE TOP

Just as timely 25 years on . . .

George Prince, retired co-founder of US consultancy Synectics, on running better meetings

I was delighted when I recently discovered that my article "How to be a better chairman" was the only article surviving from the 1960s in the Harvard Business Review's selection of "the Best of Best". Based on the frequency and size of demand, its inclusion shows just how important and difficult a part of our lives meetings continue to be.

During the past quarter century there have been many changes, large and small, in the ways we speak and think. Nowadays we are no longer allowed to talk about "chairmen" but have to talk about "chairpersons". If I were to write my article now, I might abolish the whole concept of "chair" and use the term "process leader".

What follows is the essence of my 25-year-old article. I've shortened it considerably, but the message is the same: it is possible to run more productive meetings if the person in the chair understands the group dynamics and knows clearly what skills a leader needs.

Many people are cynical about the time spent in meetings. Often they fail, though, because of hidden agendas, lack of candour and waste of talent. On the basis of thousands of meetings observed over the years, I have found that even mild rejection has a significantly negative effect on people; pointing out flaws in others' ideas occupies too much time; while approval has a positive effect and creates a climate for resolution of the problem.

Successful meetings take place in an atmosphere in which participants need not defend themselves or their ideas. When relieved from the burden of self protection everybody can wholeheartedly devote themselves to the meeting. To draw creative contributions from everyone in the group, a chairperson must use his or her wits, plenty of tact, and some new rules of order.

The process of running a meeting could go like this. Having briefly headlined the problem, preferably in the format of "How to...?" or "How can I...?", the chair should ask the member with most knowledge of and involvement in the problem to explain it in more detail. Meanwhile, participants listen and make notes about associations, ideas, and new perspectives.

The chair then encourages participants to be as wishful about the solving of the problem as they can. All wishes will be recorded on a flip chart for all to see. It has been found that the wilder the wish, the more likely it is to evoke a starting point for possible solutions.

When people offer their ideas, the chair has to protect them from all attacks. He/she needs to force members see positive value in each idea. "What do you like about A's suggestion?" the chair can ask. Only after making notes on several valuable aspects of it, can the concerns be brought up. By recognising everybody's views, the chair keeps the climate non-aggressive and people more willing to contribute.

In order to find a novel approach, the chair can create an artificial, instant "excursion" from the problem

In order to increase the probability of finding a novel approach, the chair can apply a technique that is considered outrageous by many, creating an artificial, instant "excursion" from the problem.

He/she instructs: "Please put the problem out of your mind. Now, can anyone think of a striking image in the world of weather?" Members begin to offer examples, and the chair records them all. They select one and discuss its implications. The "excursion" time can last from 5 to 15 minutes depending on the members' skill in keeping off the original problem.

Using the "excursion" material, the chair asks the members to connect it back to the original problem. These connections are usually unthought of and highly speculative. Exciting new ideas are then developed, all members adding to and building upon each other's suggestions until it reflects the constructive energies of the group.

In summary, the 10 leadership principles for the role of chairperson are:

1. Never compete with the group members. Give members' ideas precedence over your own.
2. Listen to every group member. Paraphrase, do not judge.
3. Don't permit anyone to be put on the defensive. Assume value in all ideas.
4. Use every member of the group. Control the dominating ones without alienating them.
5. Keep the energy levels high. Your own interest and alertness are contagious.
6. Keep members informed about where they are and what is expected of them. Keep notes on flip charts for all to see.
7. Keep your eye on the expert (the problem owner). Check with him/her whether an idea is worth pursuing further and when a proposed solution is satisfactory.
8. Rotate turns in the managing of meetings. To learn to lead is to learn how to participate, and when the chair rotates, everyone learns.
9. Do not manipulate the group.
10. Work hard at the technique of chairing a meeting.

Tips from the Top will be on holiday until January 10.

. . . and still relevant from 1908

A slim 64-page volume, written 85 years ago by a frustrated university don, seems an unlikely text for modern managers.

That, though, is just how a tiny publishing house Mainsail Press has been promoting its new hardback edition of Francis Macdonald Cornford's Microcosmographia Academica, newly subtitled Cambridge's classic guide to success in the world.*

In a forward penned in 1949 the classicist W.K.C. Guthrie said that just before the second world war he had "tried the book on the head of an engineering firm, and he assured me that the business world was in urgent need of its counsel".

The enterprising Mainsail has gone even further, soliciting from BT's head of strategy development the generous plug on its back cover that "every young MBA in a hurry" should read it.

This is perhaps going a bit far. But it is not an exaggeration to say that many of Cornford's pithy, if somewhat cynical, observations have stood the test of time.

The words of Cambridge's first professor of ancient philosophy – inspired by his experience of the tortuous ways in which academic bodies reach (or avoid reaching) decisions – were originally directed at ambitious young academics. Today one could imagine him addressing business graduates about to embark on a career in a large organisation.

Disillusioned by those who sought to avert change, Cornford's ideas were intended as a warning for those who fail to understand human nature and, as he saw it, man's inbuilt inertia. "There is only one argument for doing something; the rest are arguments for doing nothing", he wrote.

Among the principles of practical politics he explores are those of the *wedge* (that "you should not act justly now for fear of raising expectations which you are afraid you will not have the courage to satisfy"); the *dangerous precedent* (from which "it follows that nothing should ever be done for the first time"); and *unripe time* ("Time, by the way, is like the medlar; it has a trick of going rotten before it is ripe").

Cornford also recommends for delaying action "another sport which wastes unlimited time", namely *comma-hunting*: "Once start a comma and the whole pack will be off, full cry, especially if they have had a literary training".

More constructively perhaps – but just as Machiavellian – is the passage on *squaring*, which might be interpreted today as I'll scratch your back, if you'll scratch mine, while not formally admitting that this is the case.

Cornford says that the practice of squaring can be carried out over lunch, but that the "proper course" in his day was to meet "accidentally" between 2pm and 4pm on King's Parade, Cambridge, "talk about indifferent matters for ten minutes", and then observe a procedure which emphasises "the fact that there is no connection whatsoever between my supporting your job and your supporting mine. This absence of connection is the essential feature of squaring".

The most famous passage in the book is probably the definition of propaganda in Cornford's preface to the 1922 edition. It is "that branch of lying which consists in very nearly deceiving your friends without quite deceiving your enemies".

Tim Dickson

** Available from Wayne Hill, c/o Queens' College, Cambridge CB3 9ET. Tel/fax 0223-350813. Price £8.99*

Carol Cooper on deafness as a work-related disease

Keep it quiet and healthy at work

HEALTH CHECK

Those who think deafness is mainly a question of old age may be in for a surprise. Noise at work is the leading cause of hearing loss in the industrialised world, with 1.7m people in Britain estimated by the Health & Safety Executive to be suffering from work-related deafness.

Hearing loss has long been known to follow loud blasts on the battlefield, and industrial deafness goes back more than two centuries. So-called boilermaker's deafness was commonplace in the 1890s – with today's wider range of noisy machinery, hearing loss affects many more workers.

Noise-induced problems may not be new, but there is now greater interest in occupational health as well as growing disquiet over leisure noise.

Loud noise affects the inner ear; it damages the hair cells of the cochlea, which translates the vibration of sound waves into electrical impulses. The first symptom of damage is often tinnitus (ringing in the ears). Its severity is a guide to the risk of incipient deafness.

When hearing loss sets in, it may be reversible at first – as after a rock concert – but later it becomes permanent. An early complaint is muffled hearing, or difficulty on the telephone or in the pub. High-pitched sounds can be especially hard to distinguish.

The risk of deafness is related to noise levels which are measured in decibels (dB), usually on the A scale which compensates for the fact that human hearing is more acute for high-pitched sounds. The decibel scale is logarithmic, so the difference between 90dB and 100dB is a ten-fold increase in sound energy.

Levels of 80dB are roughly those you would find in a busy street and pose no significant risk to hearing. But around 2.4m UK workers, according to the HSE, are exposed to levels above this. Occupational deafness is a prescribed industrial disease, and an employee may successfully claim compensation from his employer if hearing loss is work-related.

Under the 1989 Noise at Work Regulations, employers have a general duty to reduce noise to the lowest levels practicable, and a specific duty to take action where levels are too high.

Where the daily exposure of an employee is likely to be 85dB, information about the dangers must be given, along with instruction on minimising risks.

Ear protectors (muffs or plugs) should be provided to all employees on request, and - very importantly - maintained in working condition. At 90dB, employers must ensure that ear protectors are worn, and that ear protection zones are marked if at all possible. Everyone entering the zone, however briefly, should protect their ears.

Ear protectors don't entirely cut out noise and are not always worn. Some workers claim they hinder communication with colleagues or prevent them from hearing warning sirens (this seems unlikely). Dirty protectors can cause ear infections, but even when clean they are often considered uncomfortable, inconvenient, or wimpish. Nonetheless at 90dB the employer is responsible.

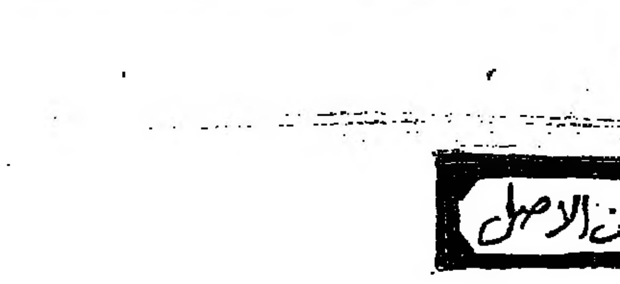
Only accurate technical measurements can determine how noisy an environment is, but as a rough guide, if people must shout to be heard two metres away, or their ears ring after work, noise is excessive. Factories are not the only places affected – many offices and farms are noisy too.

Since the risks of noise are cumulative, hours of work and length of service are relevant, as are leisure pursuits.

The effects of loud noise go well beyond the ear. Aggression, poor concentration, learning difficulties, and feelings of hopelessness have all been described.

The author is a London general practitioner.

For information contact HSE Information Centre, Broad Lane, Sheffield S3 7HQ. Tel: 0742 892345; fax 0742 892333, or the Association of Noise Consultants at 6 Trap Road, Guilden Morden, Royston, Herts SG8 0JE. Tel: 0763 852958.



CONTRACTS & TENDERS

TRINIDAD AND TOBAGO OIL COMPANY LIMITED
POINTE-A-PIERRE REFINERY UPGRADING
INVITATION TO SUPPLY TANKAGE, PIPING AND ELECTRICAL MATERIALS FOR OFFSITE FACILITIES AT TRINTOC'S POINTE-A-PIERRE REFINERY

LOAN NO. LO 617/OC-TT

The Trinidad and Tobago Oil Company Limited (Trintoc) invites suitably qualified and experienced suppliers to submit bids for the supply of Tankage and Piping Materials and Electrical Equipment/Materials.

The Pointe-a-Pierre Refinery Upgrading Project is being funded by the Government of Trinidad and Tobago, the Inter-American Development Bank (IDB), the European Investment Bank (EIB), the Export-Import Bank of Japan (JEXIMB) and the Commonwealth Development Corporation (CDC). Funding for these works is provided by the CDC. Trintoc is the executing agent for the project.

The Nationality of the bidder, transporter, insurer and the origin of the goods shall be that of a member country of the IDB in accordance with the rules of the Bank.

Trintoc's ITB shall contain full details of the scope of supply, a summary is given below:

SCOPE OF SUPPLY

1. ITB 1 FOR TANKAGE AND PIPING MATERIALS

The scope of supply shall include, but not be limited to the following material for the repair/construction of storage tanks and pipe works:

1. Piping (1 inch dia. to 8 inch dia.)	4,420 ft
2. Solid Bars (5/8 inch square to 1½ inch dia. thick etc.)	1,560 ft
3. Mild Steel Angles, Flats, Channels, etc.	12,180 ft
4. Mild Steel Plates (3/16 inch, 1/4 inch, 1/2 inch thick etc.)	720 sheets
5. Check Valves (6 inch dia. x 150 lbs)	2 pcs
6. Swivel Joints (6 inch dia.)	10 pcs
7. Flanges, Elbows (3 inch dia. x 90°, 6 inch dia. x 150 lbs)	70 pcs
8. Roof Seals (Horton Type 5 for Tank dia. 140 ft)	2 sets

2. ITB 2 FOR ELECTRICAL EQUIPMENT/MATERIALS

1. Electrical cable	
(a) EPR (15 KV, 3-core, 240 sq mm)	2,400 m
(b) EPR (11KV, 3-core, 50 sq mm)	1,200 m
(c) Miscellaneous (PVC SWA PVC, 1000V)	
2. Switchboards	
(a) 12KV, 7-Panel	1 pce
(b) 440V, 7-Panel	1 pce
3. Transformer (750 KVA 2.3/0.44 KV)	1 pce

SUBMISSION OF BIDS

Completed Bills of Materials and Specifications may be obtained at the office of the:
Central Purchasing Manager,
Trinidad and Tobago Oil Company Limited, Point-a-Pierre, Trinidad, W.I.
ATTENTION: MR PAUL PROTAIN
Tel. No:(809) 658-3397 Fax No: (809) 658-5394
Closing Date for Receipt of Bids: Bids will close at 11.45 am on 1 February 1994.

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Spacious sleeperettes take off

Daniel Green finds out why seat pitch is all to the discerning business class traveller

Next year KLM, the Dutch carrier, will become the latest airline to revamp its business and rip out its first-class seats. To be installed are "sleeperettes", seats that bear more resemblance to dentists' couches than the armchairs favoured by the biggest carriers such as British Airways, American Airlines and Japan Air Lines.

KLM is joining a growing band of carriers that have abandoned conventional cabin classes in favour of larger seats for anyone prepared to pay the business-class prices.

Others include Continental of the US and Virgin Atlantic in the UK.

The reason behind the changes is that surveys show business travellers want more space, second only to safety and punctuality.

Additional room is achieved by increasing the seat pitch – the distance between the rows – which in turn allows the seats to recline further, giving a less crowded feel to the cabin.

Anyone who has tried the seats in super-business-class cabins knows they are a revelation. They feel like first class without the vintage champagne and caviar, and the service is similar to standard business class. But you can get a much better sleep on long-haul flights.

Of the carriers that have taken this route, the standards setter is US carrier Continental.

Its Business First cabin has a seat pitch of 55 inches, compared with a typical business class pitch of 38-40 inches and first class pitch of 60 inches.

Room to stretch out?

Airline	Seat pitch/ inches in business class long haul
Continental	55
Virgin Atlantic	55
NorthWest	48
American Airlines	40
Japan Air Lines	40
British Airways	38-40
United Airlines	38-40
Air France	37-40
Lufthansa	36-40

For comparison, economy class seat pitches are typically 32 inches and first class are 60 inches

Business First is available on coast-to-coast US domestic routes as well as transatlantic and transpacific journeys. The quality of the product is reflected in the cheerful demeanour of the cabin crew.

Virgin also has 55-inch seat pitches, in Upper Class, but its ageing cabins look more than a little frayed.

The seats must be manually pushed into position, an awkward movement that pales beside Continental's automatic seat backs, footrests and lumbar support.

Virgin's new aircraft, the Airbus A340, will be fitted with electrically adjustable seats and will be introduced gradually over the next two years.

So far 55-inch pitches seem to be as far as carriers are prepared to go with super-business cabins. KLM is likely to fit 48-inch pitch seating, in line with US carrier NorthWest, in which it has a 20 per cent stake.

Some airlines insist they will not alter their seating. British Airways argues that there is still a market for the super-luxury of first class among the rich and famous or industry bosses, whose expense accounts are checked only by the tax inspector.

But for executives who see air travel as a business tool, the first choice should be super-business class.

The price should be the same as business class – a round trip from London to Tokyo costs £3,179 on JAL, Virgin, BA and ANA – but on most criteria, the product is better.

Battle over economy cabins

A US survey of couriers' opinions on airlines' economy cabins this week rated British Airways as the best on international routes and Alaska Airlines the best within the US, writes Danny Green.

BA was followed by United, Singapore, American and Lufthansa. Alitalia and Air Canada came in last, in 19th and 20th place respectively.

BA rated especially highly on food, beverages and personal attention. These were the key factors in its overall victory, said Mr Byron Lutz, who edited the survey for the International Association of Air Travel Couriers. "BA is very good at handing out the free drinks," he said.

Other notable results of the survey of more than 1,600 couriers was that TWA scored highest on comfort but lowest on friendliness and food. Virgin Atlantic was the most uncomfortable but managed to catch up somewhat thanks to the personal attention it gave.

Trouble spots

Algeria: The number of foreign nationals killed in Algeria over the past three months now stands at 23, writes Francis Ghiles. The latest incident took place last Tuesday night when 12 Croats working on a water project were knifed to death.

Many foreign companies repatriated the families of their employees working in Algeria in the wake of the first killings last September. Since then a trickle has grown into a flood though it is difficult to estimated how many of the roughly 50,000 foreigners working in Algeria remain. The US, Russia and many European countries have also repatriated the families of staff at their embassies in Algiers.

French tours operators have cancelled all their bookings for winter holidays in the Algerian Sahara. Foreign affairs ministries throughout the west are following the *British foreign office line,* which is to discourage tourism and travelling to Algeria except for essential business reasons.

Russia: Cancellations, long delays and overloading of passengers on internal flights are frequent, particularly in the Transcaucasus.

It is not known whether maintenance procedures are always properly observed. For *safety travellers are advised* where possible to fly directly to their destination on an international flight originating outside Russia.

There have been widespread outbreaks of diphtheria affecting adults and children. Visitors are advised to seek medical advice concerning this and other recommended inoculations. Do not drink tap water.

Incidents of mugging, theft and pickpocketing in all cities, especially St. Petersburg and Moscow, are increasing.

Venice

Should your business be fortunate enough to take you to Venice, and should you arrive by air, you will be faced with the question of how to make the watery transit to the city itself, writes David Lascelles.

For the well-heeled, the answer is simple: jump in a water taxi and enjoy one of *the most romantic city arrivals* possible. But be prepared to be charged over 120,000 lire (£50) for the pleasure, though you may be able to cut this by bargaining.

For those on tighter budgets, there is a water bus costing only 15,000 lire (£6). But departures are spasmodic, and the trip goes via the Lido, taking more than an hour.

The real bargain is the Venetian municipal bus service which runs half hourly (hourly at week-ends) and costs a mere 1000 lire (40p).

Admittedly, it deposits you at *the Piazzale Roma, leaving* you to take the vaporetto on to your hotel. But this only costs 2,500 lire (£1) and can be a joy in itself.

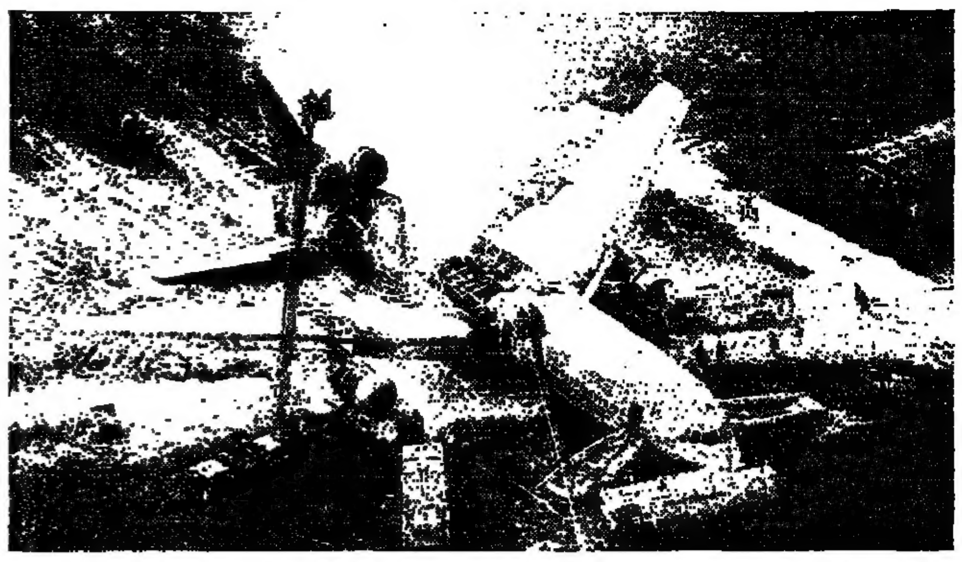
Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	13	11	7	6	8
Hong Kong	15	14	14	15	15
London	5	4	5	5	6
Frankfurt	10	6	4	6	5
New York	9	9	6	2	4
L. Angeles	18	19	21	20	20
Milan	10	11	10	6	5
Paris	14	8	7	8	6
Zurich	13	7	3	4	3

Maximum temperatures in Celsius
Information supplied by Meteo Consult of the Netherlands

UK passports and Spain

The Spanish government plans to terminate its agreement with the UK which allows entry to Spanish territory on production of a British visitor's passport. The measure brings Spain into line with other European destinations which *have never recognised the* British visitor's passport.



Reuter

All 275 passengers were evacuated safely after this aircraft crashed in New York in July last year

Don Munro on how to survive an air crash

Simple lessons in life-saving

What if the plane crashes? It's the unthinkable idea, which – for a moment – invades the minds of many air travellers during take-offs and landings. Most of *us shrug it off, counting on* fate and the expertise of pilots.

But while airline accidents are rare, they do happen. You can increase your chances of surviving by following some simple, common-sense steps.

These range from the type of clothing to wear on your trip, to picking the best seat for survival, to how best to walk from a smoke-filled plane.

Begin before you leave for the airport. When dressing for the flight, choose clothing made from natural fabrics such as cotton and wool. Artificial fibres, such as those in pantihose, can melt with heat intensity.

Women should not wear tight skirts; trousers make climbing out of windows and other exits easier. Loop earrings should be avoided, because they can catch on something during an escape.

At the airport try to book a seat close to the aisle over the wings, where the exit windows *are located. If that is not possible,* choose an aisle seat near other exits, such as those near the galleys, along the sides of the aircraft, at the passenger entry door and, in some aircraft, in the tail cone. When boarding, count the rows between your seat and the *nearest exit and the number* between your seat and an alternative exit. If the lights go out, you can feel your way out.

In addition to the general airline safety instructions, some other tips may make you feel more secure.

A full bladder could burst upon sudden impact. So your seat belt should be fastened low and tight on the hip bone, rather than across the stomach.

Do not cross your legs underneath the seat in front of you. If the aircraft falls to earth in an aborted take-off, the seat of the person in front of you could collapse and break your ankles.

The best brace position for emergency landings is to get down as low as you can to protect yourself from fire flashes overhead. Bend over and put your arms under your thighs. Grab your wrists under your legs and look downwards, rather than towards the aisle or windows.

In an emergency, knowing how to leave the aircraft is crucial. In the absence of suitable supervisors, if you are next to the over-wing exit take charge of opening it. If the exit and the area outside are clear of flames, face the rear of the aircraft and put the adjacent seat *arm rests up.*

Put your hand nearest the window on its lowest handle. Reach across your chest with your other hand and pull down the handle at the top of the window.

Pull the window on to your shoulder, rotate it on to the seat row you have just cleared, and slide it six inches towards the aisle to give yourself and other passengers more room to exit. If you are strong enough, pitch the window out of the exit to create even more room.

To exit properly from the galley section of the aircraft, you need to know the make of the aircraft. It is listed on the safety cards. On McDonnell Douglas-made planes, turn the handles on the galley-side exit right to left. With Boeing aircraft, it is left to right.

It is likely that if there is a crash, you will be battling against smoke on your way out of the aircraft. Instead of standing up or crawling down the aisle, bend at the waist and walk like Groucho Marx.

THE MONDAY

People page

Ace player's simple sums

Alan Greenberg tells Richard Waters about his serious money and what he does with it

■ PERSONAL FILE

Born: Wichita, Kansas 1927

Educated: Football scholarship at University of Oklahoma. After a football injury, transferred to University of Missouri and graduated with BA in business

Career:
1949: Joined Bear Stearns in the equities department
1958: Made a partner
1977: Winner of National Bridge Championship
1978: Became chief executive
1985: Appointed chairman and chief executive when Bear Stearns went public
1993: Gave up chief executive's position. Continues to work in equities department

Alan Greenberg - "Ace" to his friends - looks exasperated. "I'm just so sick of hearing about this money thing. I'm so sick of having us compared with other people."

The "money thing" Greenberg is so sick of hearing about is his own, sizeable, income. Last year it was $15.8m. This year it is $15.9m. What's the lowest it has been in the past ten years or so? "I don't know, maybe $4m or $5m. I don't remember." Even by the standards of the well-paid ranks of senior US executives, this counts as serious money.

But then, as Greenberg says, he is different. He trades shares. Not only that: he sits at the focal point of one of New York's busiest trading floors. And this has been a blockbuster year, even by Wall Street standards. So why should anyone begrudge him his $15.9m?

Before tackling that thorny subject, it's important to realise that Greenberg isn't just any share-trader. He's been doing it for decades ("forty four years and nine months," he points out helpfully) and is said to be very good at it. Although chairman of Bear Stearns, a securities house that employs 6,500 people, he spends most of his time at his desk on the equity trading floor, directing the hubbub.

Greenberg's image as a gruff, wisecracking trader has hardened around him like a crust. When delivering interviews from his perch on the equity trading floor at the Bear Stearns offices on Park Avenue, he slips easily into the mould that he has created for himself in a succession of interviews over the years.

He spits out homilies and dispenses no-nonsense views on life and the markets as if by rote. He favours being photographed with a fat cigar in his hand. It is disconcerting when quotations from previous interviews, ones that obviously pleased him, reappear on his lips.

Journalists, you can tell, like this version of Greenberg. His history has been told and re-told through the years in a rag-bag of anecdotes. The memo he once wrote telling staff to re-use paper clips, rather than buy new ones. How, as share prices crashed in 1987, he practised his golf swing on the trading floor and said he might take the next day off to play a round. His fondness for playing bridge and impressing interviewers with card tricks (he is a member of the Society of American Magicians).

Greenberg plays along gamely. Keen to demonstrate his contempt for high-flown management theorising, he rummages through a pile of paper on his desk to find "some of the nonsense people say". He quotes from various papers: "'Re-engineering business' . . . 'economic value added' . . . that's some of the nonsense I have to listen to." He has done this in other interviews as well, and it obviously works.

Although much of this is for show, Greenberg really does appear to have a straightforward approach to running a trading firm. Every Monday, Bears Stearns' traders attend a meeting where their trading positions are discussed. A team of spies patrols the floors constantly, trying to make sure no one is covering up a big loss.

Aren't more sophisticated methods available for managing trading risks these days? No, says Greenberg. "People can read things, write things that aren't exactly true."

He explains: "Traders are reluctant to put down accurate prices. That's a constant problem we and everyone else has. They don't want to show a loss, and that's a bad mistake. If they do it, they're out - O-U-T." (That also echoes from a previous interview.)

Not letting small trading losses turn into big ones is one of the very few trading philosophies that Greenberg admits to. All loss-making positions are closed, he says. "We don't carry big losses. We just sell 'em."

Ask Greenberg what is the biggest loss he has ever been responsible for, and an interesting thing happens. The gruff front falters for a minute and he chuckles boyishly. He looks younger than his 66 years anyway, but this makes him look younger still. Many years before, when Bear Stearns' capital was only $30m or so, he managed "a loss of $1m, which at that time was really big".

So what about the "money thing" that gets Greenberg so riled? He isn't the highest-paid Wall Street trader; that bouquet goes to George Soros, Michael Steinhardt and the rest of the band of so-called "hedge fund" managers. But among the heads of Wall Street firms, his earnings were exceeded last year only by Stephen Friedman and Robert Rubin, then co-heads of Goldman Sachs.

The attention this attracts clearly annoys him. Of nameless critics, he says: "They don't know how much money I make for this firm, so how can they say it's big or little? How can anyone say what I should rate without knowing what I do?"

Also, Greenberg's basic salary is $200,000 - the rest comes from bonuses when the firm is making a profit. "I don't know of one other corporation where the top people want to run the risks with their income that we do. When many companies lose money, the bosses get a raise."

Well, yes. But judging by Bear Stearns' performance in recent years, the danger of not making a profit is not that great.

And now the really important questions: how does he spend all that money? The pleasing boyish chuckle comes back. Greenberg claims not to have any expensive habits. He recomposes his face, prepares to tell about the philanthropy that is widely commented on. "My wife and I give a lot of money away every year. How much is a personal matter."

And then there is betting. Small amounts on football (he is a fan of the New York Giants), much more on cards. "I like to gamble big at bridge. I like to gamble. Every businessman is a gambler."

He slides off into another homily, this time about the importance of risk-taking in business. But you can tell that only half his mind is on it. He's impatient to get this interview over and get back to the serious business of making money.

Personae

Another good man – but will he last?

Ask any cross-section of analysts to nominate the toughest big company chief executive job in Australia, writes Bruce Jacques, and chances are that Goodman Fielder, the country's largest food group, will outpoll all comers.

So, when long-serving Goodman executive Barry Weir was promoted to the managing director's post last week, it's scarcely surprising that investors were underwhelmed.

They've seen it too many times before. Goodman has chewed up three chief executives in the past half decade, culminating in last week's passing of the high-profile former Elders executive, Michael Nugent.

Weir now has the task of improving the sluggish performance of the unwieldy Goodman conglomerate whose structure remains a legacy of 1980s boom time extravagance.

But he should be well equipped for the task. For a start, he's a survivor. In his 17 years with Goodman, 58-year-old Weir has seen all manner of management crises and worked in most parts of the business.

He won the chief executive's post by successfully expanding Goodman's European operations, based around its Wessanen business, which have grown under his stewardship to account for 25 per cent of the total business.

As a tested, long-term executive, Weir has a reputation as a team player who is likely to improve shattered morale by redeveloping old-fashioned camaraderie among his top executive team.

But Weir will get no honeymoon from the markets. Goodman's record of high management turnover plus his age already have analysts calling him an interim chief, "just keeping the seat warm while the head-hunters find a more high-powered candidate".

Against that, the Goodman board is likely to be keen on stability at the top after its recent experience.

Mattiussi's long distance learning

The past 18 months have been unsettling ones for Andrea Mattiussi (above), chief executive of Lawson Mardon, the international packaging group, writes Bernard Simon.

From the start, he had to adjust to constant travel between Lawson's head office in Toronto, his home in London, and the base of Lawson's major shareholder in Milan. Mattiussi sometimes describes his office as his briefcase and cellular phone.

But the upheavals keep coming.

Alusuisse-Lonza, the Swiss industrial group, has spent the past month poring over Lawson's books to decide whether to go ahead with a C$555m takeover bid. This week, Mattiussi's former boss, Italian financier Sergio Cragnotti, agreed to pay C$2.7m to settle allegations of manipulating Lawson's share price and insider trading. Cragnotti, whose investment firm controls Lawson, was also banned for life from being a director or officer of any Ontario-based company.

Mattiussi is given high marks for cutting costs and giving a sharper focus to Lawson's business, most of which is in Europe.

His shrewdest move, however, may have been to put some distance between himself and Cragnotti. He is said to have vigorously defended the interests of Lawson's outside shareholders, even at the expense of some friction with his former employer. That may explain why Mattiussi heard about Cragnotti's deal with Alusuisse only a couple of hours before it was announced.

If Alusuisse goes ahead with its bid, it will need to decide whether it wants Mattiussi to stay on as ceo. Last week the Ontario securities commssion said there was no evidence that Mattiussi or any other Lawson director was involved or aware of Cragnotti's activites.

Younger faces in China

China is giving the Bank of China, the country's foreign currency arm, a facelift with the appointment of a new chairman of the board and governor, writes Tony Walker.

State Council, China's cabinet, recently approved the appointments which are expected to be announced formally today.

Wang Qiren, 52, will become chairman, and 41-year-old Wang Xuebing will assume the role of governor or president. The appointment of the two Wangs is part of a trend throughout China's bureaucracy to promote younger officials to senior office.

They will replace another Wang (Wang Deyan), 63, who has served as both chairman and governor for the past eight years.

The new Wangs at the Bank of China are seen as protégés of Zhu Rongji, China's economic tsar and governor of the People's Bank, China's central bank. Zhu has also been making youthful appointments to the People's Bank board.

Wang Qiren is currently vice-chairman of China's Hong Kong and Macao Affairs Office, a politically sensitive post concerned with the colony's transition to Chinese rule in 1997. Before his move to that job he worked in China's state-controlled banking sector for 20 years.

Wang Xuebing is currently vice-chairman of the Everbright Industrial Corporation, one of China's state-owned conglomerates. He is a former head of the Bank of China's New York branch.

The new appointments coincide with sweeping reforms of the banking sector. Among changes are attempts to transform the Bank of China and the country's three large commercial banks into commercial entities in the Western sense. They have tended to act to this point as cash dispensers to faltering state industries.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Alcan Aluminium $0.075
Aquarius Plus Clrd. Sec. FRN's 2000 $258.94
Assoc. Brit. Ports 11⅞% Bds. '11 £593.75
Bk. Leumi (UK) Und. Prim. Cap. FRN's $25.69
Barclays Bk. Fin. (Jersey) 10⅝% Sec. Dep. Nts. '95 $1062.5
Brit. Bldg. & Eng. Appliances 5.5p
Burmah Castrol Cap. (Jersey) 9½% Cnv. Cap. Bds. '06 £47.5
Densitron Intl. 0.5p
Essex Water 8% Deb. '91/93 £4
Do. 10½% Deb. '94/96 £5.25
Do. 3½% Perp. Deb. £1.75
Do. 4% Perp. Deb. £2
Do. 5% Perp. Deb. £2.5
Export-Import Bk of Japan 8½% Gtd. Bds. '97 C$85
Forte 7¾% Nts. '96 $775
Fujitsu 7⅜% Bds. '97 Y737500
Gaz Metropolitain 10⅞% Debs. '95 C$108.75
Gen. Motors Acceptance 10⅝% Nts. '95 £106.25
GMAC Australia (Fin.) 10% Nts. '95 A$100
Gold Intl. Fin. Tranche B FRN's '02 Y856284
Halifax Bldg. Soc. 5¼% Nts. '93 Y52500
Hitachi Credit Corp. 7⅛% Nts. '96 $71.25
Italian Intl. Bank Sub. FRN's '96 $186.28
Japan Airlines 8⅛% Gtd. Bds. '96 $406.25
Jupiter European Inv. Tst. 1.1p
Kansai Electric Power 8¾% Nts. '96 C$87.5
Merrill Lynch 12⅛% Nts. '94 $121.25
Mount Charlotte Invs. 10¾% 1st Mtg. Deb. '14 £5.375
Natl. & Provincial Bldg. Soc. 6.4% Nts. '93 Y6400000
NTT 9½% Nts. 1995 $475
NSK 7.05% Bds. 2000 Y705000
Prudential Fdg. 8¼% Nts. '95 C$82.5
Tarmac 3p
Tokyo Electric Power 6% Nts. '96 Y60000
Do. 9⅝% Nts. 1998 Ecu96.25
Do. 10⅝% Nts. 1996 C$106.25
Yasuda Tst. Asia Pacific Fltg/Fxd. Rate Gtd. Nts. '02 $2177.6
Yasuda Tst. & Bkg. (Lux.) SA Gtd. FRN's 2000 $96.6
YTB Fin. (Aruba) AEC Gtd. Sub. Fltg/Fxd. Rate Nts. '02 $7200

■ TOMORROW

Commonwealth Bk of Australia Gtd. Und. Var. Rate Cap. Nts. $101.19
Dickie (James) 2p
Drayton English & Intl. Tst. 0.4p
Lawson Mardon A Sub. C$0.1
Marubeni Intl. Fin. 7.3% Bds. '94 Y730000
Yuen Foong Yu Paper Manfg. 2% Bds. '99 $200

■ WEDNESDAY DECEMBER 22

American Cyanamid $0.4375
Barclays Bk Fltg. Rate Sen. Sub. Bds. '01 £32526.37
Bristol & West Bldg. Soc. Sen. Var. Rate 1994 £152.71
GR Hldgs. 1.4p
Halliburton $0.25
Hercules $0.56
LASMO 10⅜% Deb. '09 £5.1875
Leeds Perm. Bldg. Soc. FRN's '96 £151.15
Marine Midland Banks Sub. FRN's '09 $132.71
Marks & Spencer Fin. 7⅝% Gtd. Nts. '98 £33.8
Nationwide Bldg. Soc. Sub. FRN's '04 £157.38
Newcastle Bldg. Soc. 10⅝% Perm. Int. Br. £53.75
Platignum 0.28p
Riggs National Corp. Sub. FRN's '96 $132.71
Riverview Rubber Ests Bhd. M$0.1
Standard Chart. Und. Prim. Cap. FRN's £76.35
Unilever 7⅝% Nts. 1998 £33.8
VTR 2.55p

■ THURSDAY DECEMBER 23

Aircraft Lease Portfolio Sec. A 7¾% Fxd. Rate Nts. '97 $387.5
Do. Class A2 FRN's 1997 $218.58
Bk fur Arbeit und Wirtschaft AG Sub. FRN's '99 $268.88
Citicorp Sub. Cap. FRN's '98 $132.71
Devenish (JA) 10¼% Deb. '17 £5.125
F & C Eurotrust 1.23p
FR Group 4.2% 2nd Prf. 2.1p
Rep. of Italy FRN's 2000 $174.74
Leeds Perm Bldg. Soc. Sub. Var. Rate Nts. £185.48
Marine Midland Bk NA Sub. Cap. FRN's '96 $132.71
Midland Bk Und. Prim. Cap. FRN's $254.17
Sketchley 1p
Skipton Bldg. Soc. Sub. FRN's 2000 £34093.15
Woolwich Bldg. Soc. 9¼% Fxd/Fltg. Rate Nts. '95 £30.62

■ FRIDAY DECEMBER 24

Anglo Amer. Coal R1.5
Britannia Bldg. Soc. FRN's '97 £151.77
Lex Service 6½% (4.55% net) Prf. 2.275p
Manchester 3% Red. 75p
Do. 4% Irrd. £2
Saehan Merchant Bkg. FRN's '95 $466.06
Smaller Co's Inv. Tst. 1.4p
Welkom Gold R1.25
Whitbread 7¾% Red. Deb. 89/94 £2.993835
Do. 9¾% Red. Deb. 91/96 £2.938356

■ SATURDAY

DECEMBER 25
Metropolitan Water Board Kent WW 3% Deb. £1.5
TSB Gilt Fd. Ptg. Red. Prf. 0.67p

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Goodhead, Chaucer Intl. Estate, Launton Road, Bicester, 10:30
Graystone, Institute of Directors, Pall Mall, 10:30
BOARD MEETINGS:
Finals:
Eurotherm
Interims:
British Thornton
BBB Design
EFM Japan Tst.
Fletcher King
F & C Smaller Co's
Ivory & Sime
Mosaic Invs.

■ TOMORROW

COMPANY MEETINGS:
F & C Eurotrust, Exchange House, Primrose Street, E.C., 12:15
Greenwich Communications, 36 Elder Street, E., 10:00

BOARD MEETINGS:
Finals:
Bentleys
Interims:
Bespak
Faupel Trading
Forminster
Jones & Shipman
Novo
Wessex Water

■ WEDNESDAY DECEMBER 22

COMPANY MEETINGS:
Broadgate Inv. Tst., 99 Charterhouse Street, 12:30
Clyde Blowers, Livingstone Street, Clydebank, 11:30
Sheafbank Property Tst., 62 Threadneedle Street, E.C., 10:00

BOARD MEETINGS:
Finals:
Abbey Panels
Interims:
ERF
Gold Greenless Trott

■ THURSDAY DECEMBER 23

COMPANY MEETINGS:
BM Group, Town Hall, High Street, Chippenham, Wiltshire, 11:00
Bullers, 190 Strand, W.C., 9:30
Unigroup, 61 Doughty Street, W.C., 9:30
Waterglade Intl., 8 Baker Street, W., 2:30

BOARD MEETINGS:
Finals:
Kelsey
Sperati (CA)
Interims:
Electric & Gen. Inv. Tst.

Company meetings are annual general meetings unless otherwise stated.

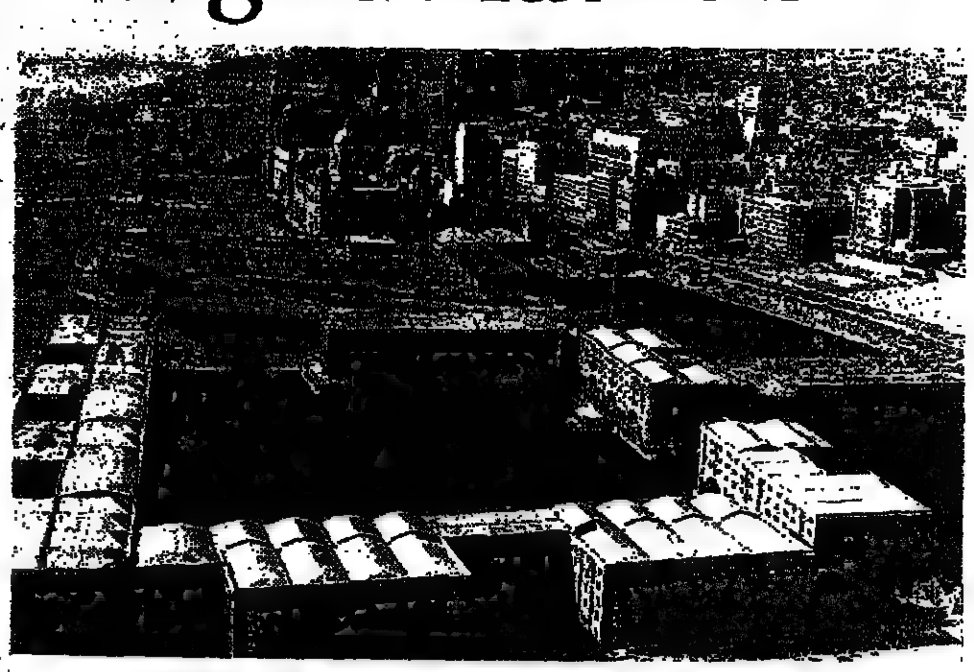
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

Architecture/Colin Amery

Looking for laurels

By October this year 11 cities in the UK had applied to be considered as City of Architecture and Design for 1999, under the *Arts Council's* Arts 2000 initiative. Each year cities are invited to make bids to the council to host a year-long celebration of a particular art form. The shortlist for 1999 has now been announced: it is Edinburgh, Glasgow and Liverpool. Other bids came from Cambridge, Greenwich and London Docklands.

The awards are more than *just hype.* In 1992, Birmingham was a successful City of Music. Next year, the East Midlands will be Region of Dance, which does not have quite such a ring about it. In 1995, Swansea will be City of Literature and, believe it or not, there is to be a year of Photography and the Electronic Image in 1998 and a year of "rice-planting and the florescent image" to celebrate *the millennium.*



GLYN GENIN

Liverpool's artistic and architectural heritage is second to none and is not sufficiently known. It has great architecture of all periods from Georgian to the 20th century

We will not know which city has won the architectural nomination until a series of day-long visits and a fair amount of junketing has taken place to win the hearts and minds of the selection panel.

The judges have been chosen largely from the *Jurassic Park of architecture: Lord St John of* Fawsley; Professor Colin St John Wilson; Sir Terence Conran; the president of the Royal Institute of British Architects, and one or two others. There is the wise addition of two people too busy to be on the full-time panel but who will visit the cities and help make the final choice. They are Simon Jenkins, former editor of The Times, and Bernard Rocher, deputy mayor of Paris.

A lot of arts money is spent on these thematic years and the winning city will receive £400,000. The Arts Council describes 1999 thus: "The focus of the year will be excellence in the promotion of public appreciation of architecture and design, including land*scape and civil engineering* design. Proposals may include initiatives which aim to promote good design for the public."

In theory this is a good idea to encourage public awareness of architecture, although the worrying thing is that it seems to be tied up with the Arts Council's obsession with "architecture centres": it cannot be a coincidence that the three shortlisted cities have promised to build such centres.

These cities should be warned by the fiasco that surrounds the proposal to build a literature centre in Swansea to an amazing design by Alsopp and Lyall, leading architects of the avant-garde. The proposal sadly appears to have bitten the dust. Put not your trust in arts councils.

Architecture centres have only a limited use because the real resource is the city itself. Books, tours, films and videos are available, but best of all are a good pair of shoes and a guide so that you can walk and look. I do not recall Alec Clifton-Taylor or Sir John Betjeman or Sir Osbert Lancaster *ever mentioning the phrase* architecture centre – and they opened more eyes to architecture than any arts bureaucracy can ever hope to do.

Glasgow has certainly discovered the value of promotional skills and is already adopting a hard-sell approach. Its bid is based on the theme *"The City as a Living Artwork"*, which sounds ominous. One of its ideas that will appeal to restaurateur Terence Conran is a design cafe where designers from Tokyo, Barcelona and Milan will be linked via computer and video for discussions over the polenta. I wonder whether designers eat *more daintily than other mortals.* We shall see. Designer haggis is rather a frightening thought.

In its eternal wisdom the Arts Council has decided, according to its spokeswoman, to promote civil war in Scotland by pitting Glasgow's amazing talent against the dazzling genius of Edinburgh. Edinburgh plans to base its 1999 International Arts Festival on the theme of architecture and design and to rely on *the excellence of its present* urban development programme.

Liverpool is wisely being a little more circumspect because its should, by any standards, be the winning city. First of all, Liverpool's artistic and architectural heritage is second to none and is not sufficiently known. *It has great* architecture of all periods, from Georgian to the 20th century. It is also a city that needs as much outside help and support as it can muster, because of its relatively sudden decline and because it is recovering from a bad attack of political madness.

It has some of the best buildings in the UK from its days as the third-largest city, and it has arguably the greatest seaport in the country. When I recently took an American visitor there, he thought he had arrived in Athens when he walked out of Lime Street Station. Sterling work has been done to preserve the city's best architecture and to build some good new buildings.

Liverpool is by far the most deserving candidate to be City *of Architecture and Design and* trendy Glasgow and staid Edinburgh should look to their thistles because the competition will be tough indeed.

Ballet/Clement Crisp

Something to remember

Sir Peter Wright's version of *The Nutcracker* at Covent Garden is a delight. It is an exemplar of how the old ballets, which are our ancestral jewels, can be shown off, lovingly and carefully reset, and made to enhance our dancers.

The secret is that, for once, a producer of the classics has listened to the score. I am increasingly of the view that some choreographers are deaf, that others are musically illiterate, and that yet others stick their fingers in their ears as they enter the rehearsal room. How else to explain the brutalisms that are inflicted upon the Tchaikovsky scores, and the sheer bloody-mindedness of the way music, modern and ancient, is maltreated? We cannot hope for creators as educated and perceptive as Balanchine, who studied at the *Petrograd Conservatoire*, but it is a failing in companies when choreographers are not given guidance with a score. We should be saved many a chainsaw attack on defenceless composers were there more rigorous winnowing of musical choices.

Wright has listened to his score, has understood its magic and its melancholy, and has seen how the overt narrative *and the mysterious subtext,* which is Tchaikovsky's vision of childhood, can be made real for us. Everything works in the staging, and everything per*suades us that it is right.* Julia Trevelyan Oman's snowy Nuremburg frames an enchanting Biedermeier interior, which the Royal Ballet's artists fill *with warm, generous charac*terisations. Derek Rencher and Sandra Conley preside over the Christmas party, and they and their guests are winningly shown. The mouse battle, the Christmas tree's transformation, the haunting figure of Drosselmeyer (well taken by Stephen Wicks), and the sprightly – but *not too* sprightly – cohorts of the Royal Ballet's Junior School, make a spectacle that combines fun and sudden darker tones that are *echt* Hoffmann.

The glories of the first act's music – the sublime sweep of Tchaikovsky's imagination that takes us from the end of the party to the close of the snow scene – were excitingly clear under Barry Wordsworth's baton on Friday night, and not one note was betrayed by the staging. I salute the young Naomi Reynolds as Clara, a delightful child and enchantingly spacious in her dance with the transformed Nutcracker. And it was very good to see Philip Mosley again as this hero – youthfully dashing as any little girl could wish. I salute, indeed, everyone in the first act: they (and Peter Wright) *show us why the score* is a masterpiece, and why in Balanchine's words, "Hoffmann's *Nutcracker* is a serious thing wrapped in a fairy tale".

In the second act there must always be problems with those sticky divertissements. But once we had got through them on Friday, we had Lesley Collier and Irek Mukhamedov to bring off the great duet with rare authority. Collier listens to the music: she knows that its sorrows cannot be expressed, but that to dance it the ballerina must have dignity. Her performance was wholly apt: subtle in musicianship, pure in statement, with nothing forced and nothing too beguiling. I have not seen her dance it better, nor with greater sympathy for its choreographic and emotional tone, elegiac rather than festive.

I felt happy for the many children in the house; they will have something very special to remember. They will also have Mukhamedov's noble presence to recall. The cavalier's part is nothing. Mukhamedov gave it grace of means, true charm, and very polished dancing.

The Nutcracker continues in repertory at Covent Garden

Opera/Max Loppert

An end to the Gloriana myth

This wonderful new *Gloriana*, which *crowns a year of* exceptionally successful activity at Opera North, surpasses all expectations. These were pretty *high-pitched: for this is, after* all, the first entirely new British production of Britten's 1953 Coronation opera for 27 years (and, indeed, only the third British production in the work's history). And it arrives soon after the issue, widely and justly praised, of the work's first-ever recording.

The recorded *Gloriana* (on Argo) stimulated an excited reappraisal of the work's qualities. This new staging, a demonstration of British music-theatre at its most imaginative, will surely take the whole valuable process a great deal further.

It can hardly be a coincidence that Opera North shares with Argo both the occupant of Britten's title role – Josephine Barstow, of whose sovereign *vocal and theatrical gifts the* occasion affords yet another priceless example – and an approach to the work that can only be described as missionary. The myth of *Gloriana*, the fruit of a misbegotten Corona*tion commission*, savourless and even sterile in spite of its expertly deployed Grand Operatic machinery, has taken a long time dying. After Satur*day evening its end must be* nearer than ever.

The glitter, sweep and zest of the performance, its speed of unfolding and command of memorable gesture, its decisive, *intimate meshing of* "period" and "modern" theatrical device, simply bowl one over. These are qualities as much musical as dramatic: for in look and sound, in the style and deportment of the large cast (dancers no less than solo and chorus singers), the show bears the hallmarks of closely *unified thought among all its* collaborators.

A thread of unassailable theatrical logic binds the production. It is immediately evidenced in the springy freshness of the orchestral playing under Paul Daniel, who reveals his admirably firm grasp of the scope and purpose of Britten's scoring. Over and over the ear is struck by the particular way the large orchestra is used – "weightlessly", with a layering of timbre that at once places the opera's formal and scenic contrasts and suggests the up-to-date tensions informing the evocation of historical situ*ations and personages.*

Mr Daniel keeps the pacing taut; and so does the staging by Phyllida Lloyd in the designs of Anthony Ward, a brilliant piece of work. Leitmotifs of the Elizabethan theatre *abound* – a wooden-box arena (which put me in mind of the Hampton Court tennis court) containing every scene, huge shadows suddenly thrown by *footlighting.* Likewise, images taken from late 16th century iconography, bold costume textures and colours creating a sense of extravagant court ritual that affords the production *its peculiar piquancy of fla*vour.

There is humour in it, a lightness of touch showering unsuspected benefits in the Norwich Masque – although even the Lloyd-Ward brand of theatrical zip cannot render entirely free of Gainsborough Films-style rhubarb the Lon*don street scene and the plenti*ful embarrassments of its gnomic blind balladeer (a case for simply cutting the whole scene?). More important, an erotic energy is tapped from the relationship of Elizabeth and Essex that newly strengthens Britten's acute balance of private and public worlds – an uncomfortable and even painful balance, with its resonances alike in historical situation and in the composer's own *emotional and psychological* complexities.

Neither previous account of *Gloriana* that I have seen (at Sadler's Wells and at the Coliseum) possessed this unflinching directness. It emanates directly from the pairing of Barstow's Elizabeth, crafty, tough, violent and generous by turns, and Thomas Randle's agile, poetic Essex, long locks, lean frame and sultry good looks perfectly in place, weaknesses and strengths impetuously commingled. Further playing-in will surely encour*age her to deliver all the sung* words as clearly and eloquently as she does those of the final spoken passages (given in full and wholly justified in context). He will surely *learn to find sweeter lyricism* in the lute songs.

Already, both are unforgettable. Around them Opera North has assembled an attractive young cast, graced by Karl Morgan Daymond's handsome Mountjoy, Susan Chilcott's incisive Lady Rich, Yvonne Burnett's gentle Lady Essex, *and the precise, distinctively* uttered Spirit of the Masque of Paul Nilon. I love Kate Flatt's choreography, and the wit with which an all-male troupe carries it off.

No weaknesses? Well, Eric Roberts lacks as yet the art of impressing subtle, grave authority on every syllable of Cecil's "Song of Government". And, as a general point, the *re-disposition of a three-act* opera into two parts (with a long pause at the three-quarter mark) allows the audience insufficient breathing space between scenes. It also denies them the full impact of Elizabeth's prayer, which Barstow sings with magnificent concentration – this should provide the opera's first great curtain-close and here fails to do so.

Otherwise, highest praise all round. The production visits Covent Garden in February, and Nottingham, Manchester, Norwich and Hull after that. Head for the box office now.

Sponsored by Nottinghamshire County Council, with a grant from the Britten Estate

Theatre

Perfectly suitable for children

There is much talk presently about educational theatre. Someone said to me at the weekend that the reason why *Adrian Noble's new production* of *Macbeth* at the Barbican is so slow is that it is unduly influenced by educational techniques: you have to play every *line as if no member of the* audience has ever heard it before. And I read in another newspaper that current production of Bertholt Brecht's *Mother Courage* at the Cottesloe should never have been included in the Royal National Theatre's educational programme because it is unsuit*able for children, although* – to be fair – the same critic thought the play was also unsuitable for adults.

My own reservations are different and are prompted by watching *The Fantastical Legend of Dr Faust* at the Shaw Theatre in London last week. This is an adaptation by Michael Bogdanov, artistic director of the English Shakespeare Company, of the famous Faust story. It is described as "theatre for 8-14-year-olds". The production will tour the UK in the new year before going to the Middle East.

There is nothing particularly wrong with it. Indeed, the huge puppets in the show, designed by James Barton, are rather attractive. What I can't understand is why Faust needs to be rewritten for children. There is nothing in at least the Christopher Marlowe version of Faust that the young are incapable of following, and many elements in Marlowe that are a great deal better than anything devised by Bogdanov: the verse, for example. For no explicable reason, the ESC has changed Marlowe's lines into *rhyming couplets. As for the* seven deadly sins, they were played just as well and quite as suitably for children, in Marlowe's *Dr Faustus* at the *Greenwich Theatre last month.* It is as though Bogdanov is teaching the children to believe in Father Christmas in order to learn that the best is *still to come.*

■

Sam Wanamaker, who died at the weekend at the age of 74, almost literally gave his life to Shakespeare. An American actor who came to England in the early 1950s, partly to get away from the McCarthy ethos, he dedicated himself to *founding a new Globe Theatre* based on the original, as close as possible to the initial site.

Not everyone was kind to him: local authorities, official arts bodies and the English theatre establishment could have given him more encouragement. Yet Wanamaker pressed on. A wonderful German production of *The Merry Wives of Windsor* was performed on the foundations of *his new Globe early this year.* In a year or so the edifice should be complete. It should bear his name: for Wanamaker realised what many English do *not – the pull of Shakespeare,* and the old Globe Theatre, around the world.

Malcolm Rutherford

Theatre/Andrew St George

The importance of a little style

Oscar Wilde (1854-1900) knew that in trivial matters, the most important thing is style, and that in seri*ous matters, the most impor*tant thing is style. All the more surprising that *The Importance of Being Earnest* at the Royal Exchange, Manchester, should be so unstylish.

The director, James Maxwell, has set the play in the early 1900s. The designs by Tom Rand use an uncomfortable alliance of Rene Mackintosh chairs and Art Deco in town to contrast with the Arts & Crafts interior in the country. This is *right, in that the play is about* the Country versus the City. But the sets seem extreme, and changing them means two intervals in a play that should *career to a conclusion.*

The play could run on its own, without the actors: those lines about careless children, handbags and railway stations *are carefully set in social aspic* for the discerning palate. Add a few cucumber sandwiches and a plate of muffins and the set would be complete.

The production has two drawbacks. First, the Royal Exchange, in the round, is disadvantaged with Wilde. His comedy depends on looking at *rather than joining in. A round* theatre makes you want to reach out for a slice of the tea cake, and it makes the actors restless to speak to every part *of the theatre.*

The second drawback is that the actors have yet to find their range. Wilde is all about uncomfortable social situations, and his brilliance in comedy was to apply a patina of politeness to rank improbabilities. The more serious the lines, the funnier they appear. Two women in love with the same man called Ernest who turns out to *be* Ernest *and* two separate men is a plot that needs to be treated with a certain *gravitas.*

Samuel West as Algernon Moncrieff gets it right in the first act, and Neil Dudgeon as Jack Worthing in the third. But there is little else of the play's spirit in between. Lady Bracknell (Avril Elgar) should be a Dreadnought in heavy seas, but here seems more like a *cutter in light winds.* She wears pink, and has what looks like skate wings high around her collar: this means she cannot be heard, so the *lovely lines about courtship* ("He is ostentatiously eligible; he has nothing but he looks everything") and marriage ("We live, I regret to say, in an *age of surfaces") are lost.*

The direction should make the actors less restless, the lighting (Robert Bryan) needs to give the scenes more visual depth, *and the action should* proceed with greater rigour. If flirting with your spouse is like washing your clean linen in public; flirting with Wilde is *another basket of laundry* entirely: he will be sure to remind you, even if he has not yet said it, that only the mediocre are always at their best.

Sponsored by Ernst & Young. The Royal Exchange Theatre, Manchester (061 833 9833) until January 29

INTERNATIONAL

ARTS GUIDE

■ BERLIN

OPERA/DANCE

Deutsche Oper Tonight: Peter Schaufuss' production of Nutcracker. Tomorrow: Tosca. Wed: Hansel and Gretel. Thurs: Rafael Fruhbeck de Burgos conducts Götz Friedrich's new production of Un ballo in maschera, with Mara Zampieri, Neil Shicoff and Vladimir Chernov (repeated Dec 27, Jan 4 and 7). Sat: Meistersinger with Wolfgang Brendel and Eva Johansson. Dec 30: *Aida* with Julia Varady. Dec 31: Tchaikovsky ballet gala (341 0249)

Staatsoper unter den Linden Wed, next Tues: Daniel Barenboim conducts Harry Kupfer's new production of Die Walküre, with a cast led by Deborah Polaski, John Tomlinson and *Poul Elming.* Thurs, next Mon: Hansel and Gretel. Dec 25: Patrice Bart's production of *Minkus' ballet* Don Quixote. Dec 26: Madama Butterfly. Dec 29, 31: Barenboim conducts Beethoven's Ninth Symphony. Jan 1, 6, 7: Die Fledermaus. Jan 2: Nutcracker. Jan 5: La traviata with Eva Mei (200 4762/2035 4494)

CONCERTS

Schauspielhaus Tonight, tomorrow: Daniel Barenboim conducts Berlin Staatskapelle in works by Beethoven, Boulez and Rimsky-Korsakov. Wed: Hartmut Haenchen conducts CPE Bach Orchestra in Telemann, Locatelli and Haydn (2090 2156)

Philharmonie Tonight, tomorrow: Nikolaus Harnoncourt conducts Berlin Philharmonic Orchestra in works by Mendelssohn and Schubert. Thurs: Bach's Christmas Oratorio. *Dec 30, 31: Claudio* Abbado conducts Wagner (2548 8132)

● Tickets and information for theatre, revues, concerts and *nightclub* shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286)

NEW YORK

THEATRE

● Angels in America: Tony Kushner's epic two-part drama - *about religion, sex, Aids and corrupt* politics – conjures a vision of America at the edge of disaster. Part one, Millenium Approaches, has now been joined by its sequel, Perestroika (Walter Kerr, 219 West 48th St, 239 6200)

● The Kentucky Cycle: Robert Schenkkan's 1992 Pulitzer Prize-winning drama follows 200 years in the life of a mining family in Appalachia, and is performed in two parts (Royale, 242 West 45th St; 239 6200)

● Abe Lincoln in Illinois: Robert E. Sherwood's 1939 drama about Lincoln's life in the years running up to his presidency. Sam *Waterston has the title role* (Vivian Beaumont, Lincoln Center, 239 6200)

● The Ash Fire: a comedy by Gavin Kostick about a Polish family *who mistakenly* land in Ireland as they try to stow away to America (American Jewish Theatre, 307 West 26th St, between Eighth and Ninth Avenues, 633 9797)

● Any Given Day: Frank Gilroy's new play demonstrates that *dysfunctional families* existed in the Bronx as far back as 1941 (Longacre, 220 West 48th St, 239 6200)

● Later Life: A.R. Gurney's witty, perceptive play about a man and woman who meet after a 30-year *separation* (Westside, 407 West 43rd St, 307 4100)

● Jeffrey: Paul Rudnick's comedy about love in the age of Aids. Till Jan 16 (Minetta Lane Theatre, 18 *Minetta Lane,* 420 8000)

● The Sisters Rosensweig: Wendy Wasserstein's play about three American Jewish sisters who have a reunion in London (Ethel Barrymore, 243 West 47th St, 239 6200)

● *A Grand Night for Singing:* a 50th anniversary musical celebration of the collaboration of Rodgers and *Hammerstein,* with songs from Oklahoma, Carousel, The King and I, The Sound of Music and others. Till Jan 1 (Roundabout, Criterion Center, 1530 Broadway at 45th St, 869 8400)

● Kiss of the Spider Woman: the Kander and Ebb musical with a star *performance* by Chita Rivera in the title role(Broadhurst, 235 West 44th St, 239 6200)

● She Loves Me: the 1963 Bock, Harnick and Masteroff musical is *a delicate, unabashedly simple story* with all the humanity, integrity and charm that Broadway's mega-musicals lacks (Brooks Atkinson, 256 West 47th St, 307 4100)

● My Fair Lady: a new production *of the Lerner and Loewe musical* based on Shaw's Pygmalion, directed by Howard Davies, with a cast including Richard Chamberlain and Melissa Errico (Virginia, 245 West 52nd St, 239 6200)

OPERA/DANCE

Metropolitan Opera Highlights of the Christmas holiday period include Les Troyens with Françoise Pollet and Gary Lakes, Il barbiere di *Siviglia with Thomas Hampson and* Ruth Ann Swenson, and I Lombardi with Luciano Pavarotti. No performance on Christmas Day (362 6000)

State Theater New York City Ballet's Christmas production is *the Balanchine version of* Nutcracker, daily till Jan 2 except Dec 24, 25, 27 and Jan 1. Repertory performances resume Jan 4. The season runs till Feb 27 (870 5570)

Joyce Theater *American Indian* Dance Theatre is in residence till Jan 2 (242 0800)

CONCERTS

Avery Fisher Hall The next New York Philharmonic concerts are on Dec 29, 30 and 31, when Leonard Slatkin conducts works by Respighi, *Dohnanyi and Stravinsky* (875 5030)

Carnegie Hall New York String Orchestra, led by its new conductor Jaime Laredo, performs its annual holiday concerts on Christmas Eve at midnight and Dec 29 at 8pm (247 7800)

JAZZ/CABARET

Algonquin Hotel Weslia Whitfield, one of the most assured jazz-cabaret voices to arrive in New York in recent years, is in residence in the Oak Room till Jan 1, daily except Sun and Mon (59 West 44th St, 840 6800)

Carlyle Hotel *Singer and showman* Bobby Short is in Café Carlyle for the Christmas season with songs by Gershwin, Berlin, Ellington and others, all delivered with sophistication, humour and pathos (Madison Ave at 76th St, 744 1600)

Rainbow & Stars *Leonard Bernstein* Revue. Till Jan 1 (65th floor, GE building, 30 Rockefeller Plaza, 632 5000)

PARIS

OPERA/DANCE

Opéra Bastille Mirella Freni sings the title role in a new production of Adriana Lecouvreur opening tonight, staged by Jean-Luc Boutte *and conducted by Maurizio Benini.* The cast also includes Giacomo Aragall and Alexandrina Milcheva (repeated Dec 22, 27, 30, Jan 3, 6, 10, 13 and 15). The only other *production over the holiday period* is Offenbach's Les brigands (4473 1300)

Palais Garnier Ballet de l'Opéra de Paris presents John Neumeier's 1974 production of The Nutcracker daily till Dec 31, except Christmas Day (4742 5371)

Châtelet *Jan 7-23: Ballet Cristina* Hoyos with a new flamenco work (4028 2840)

CONCERTS

Salle Pleyel Thurs: Marek Janowski conducts concert performance of Rusalka, with Eva Jenis, Michèle Lagrange, Hanna Schaer and Peter *Dvorsky. Jan 5, 6: Lynn Harrell plays* Elgar's Cello Concerto. Jan 12, 13: Mstislav Rostropovich plays *Schnittke's Second Cello Concerto* (4561 0630)

Théâtre des Champs-Elysées Jan 9, 10: Yehudi Menuhin conducts Sinfonia Varsovia in two Beethoven programmes. Jan 12: Shlomo Mintz. Jan 16: Midori. Jan 31: Yevgeny Kissin (4952 5050)

JAZZ/CABARET

American jazz singer/pianist La Velle is in residence at Lionel Hampton Jazz Club in harness with Gerard Badini's Swing Machine, daily till Sat except Christmas Eve. Dec 27-Jan 8: Allen Toussaint (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

THEATRE

● The Rise and Fall of Arturo Ui, *Brecht's Nazi allegory, is directed* by Jérôme Savary at Théâtre National de Chaillot, with Guy Bedos *in the title role. Daily except Mon* till Feb 26 (4505 1450)

● Ibsen's The Wild Duck has *joined the repertory of the Comédie* Française, directed by Alain Françon (4015 0015)

● *Maxim Gorki's pre-revolutionary* drama Children of the Sun (1905) opens at Odeon-Théatre de l'Europe on Jan 6, *directed by Lluis Pasqual* (4441 3636)

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4952 5356

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland. Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: *Exhibitions Guide.*

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Super Channel: West of Moscow 1230
Euronews: FT Reports 0745, 1315, 1545, 1845, 2345
WEDNESDAY
Super Channel: FT Reports 1230
THURSDAY
Super Channel: West of Moscow 1230, FT Reports 2130
Euronews *0745*, 1315, 1545, 1845
FRIDAY
Super Channel: FT Reports 1230
Sky News: FT Reports 2030
SATURDAY
Sky News: 0330; 1330
SUNDAY
Super Channel: *FT Reports* 2230
Sky News: FT Reports 1730; 0430

The 'new' frontier in economics

MICHAEL PROWSE on AMERICA

Neoclassical theory is simply an inappropriate tool to analyse and prescribe policies that will induce development. It is concerned with the operation of markets not with how markets develop. How can one prescribe policies when one doesn't understand how economies develop?"

I quote from the provocative Nobel prize lecture delivered in Stockholm this month by Professor Douglass North of Washington University in St Louis. North's sceptical remarks deserve attention given the turmoil in Russia, and to a lesser extent, eastern Europe. Most of the advice these countries are getting from western institutions such as the International Monetary Fund is based on the "neoclassical" theory (orthodox market economics) that North denigrates.

North, originally an economic historian, is a champion of the so-called "new institutional economics". In his view, neoclassical theory begs all the important questions.

The crucial neoclassical assumption is that individuals seek to maximise their income or satisfaction in a world where resources are scarce. They thus make "optimising" choices. For example, people work up to the point where the income from their last hour of labour just equals the value of the leisure foregone. With some important caveats, such assumptions lead to laisser faire prescriptions: governments should sit back and leave production to competitive markets and free enterprise.

The problem, according to North, is that this assumes a frictionless, static world in which "transactions costs" (the cost of specifying what is being exchanged and of enforcing agreements over time and space) are zero. Such a world never has and never will exist. In reality, the impersonal exchange between millions of participants required in a dynamic market economy imposes formidable transactions costs. People, for example, need to be certain that contracts will be honoured years into the future.

As a result, economic performance depends crucially on the setting in which market exchange occurs – on complex institutional arrangements that neoclassical theory takes for granted. By institutions, he means "rules of the game". These include formal rules (such as legal property rights) and, importantly, informal "norms" of behaviour – for example a reluctance to shirk or cheat even when there is little risk of discovery. The institutions that happen to exist depend on inherited ideologies – the "mental models" that people use both to explain the world and to prescribe how it ought to be. Too often these are inimical to progress.

Formal rules can be changed overnight. But informal codes of conduct and ideologies change slowly. It is these that prevent rapid economic improvement in formerly communist countries and much of the third world. This, then, is the new "institutional frontier" with which economists must grapple.

North's arguments are impressive and irritating in almost equal measure. The notion that institutional economics is new is faintly absurd if one considers classics such as Adam Smith's Wealth of Nations (1776). Smith certainly understood the importance of institutions and ideology; indeed he set out to change the rules of the game. And politicians such as Pitt the Younger soon began to put his ideas into practice, creating the conditions for Britain's commercial efflorescence in the 19th century. "What an extraordinary man Pitt is: he understands my ideas better than I do myself," Smith remarked at a London dinner party.

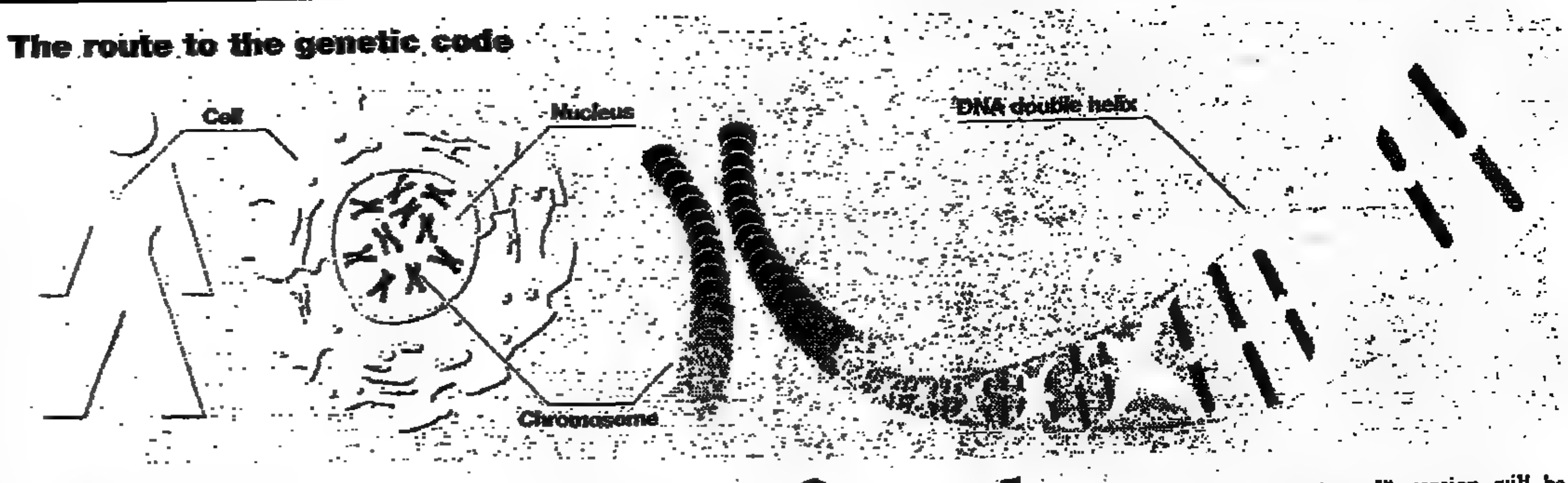
Nor could Karl Marx be charged with indifference to institutions and ideologies. The problems of the former communist countries seem intractable precisely because Marxian concepts such as "exploitation" became so deeply entrenched. In our own century, several distinguished economists struggled valiantly to change people's mental models and hence bring about institutional reform. This was the raison d'etre of Austrian critics of socialism such as von Mises and Hayek.

North, however, has emerged from the Anglo-American neoclassical tradition of recent decades. His criticism of his peers – be they at Harvard, Chicago or the London School of Economics – is justified. Many leading academics have a narrow intellectual outlook. They have become too absorbed with the mathematical properties of ideal (and implausible) economic models. If North's Nobel prize brings them to their senses – and makes them focus on the real world – it will have performed a singular service.

My other cavil about North is that he seems to have few concrete policy proposals. It is helpful to emphasise that the success of policies will often depend on prior changes in attitudes and institutions. But I doubt this comes as a surprise to the hard-pressed officials struggling with reforms in formerly communist countries. What they need are practical suggestions. North is quick to criticise neoclassical ideas. In a recent paper for the Cato Institute, a Washington think tank, he dismissed privatisation as a "simple-minded notion" and a "travesty of institutional reasoning". All right, so what does he recommend?

The answers are presumably to be found in North's first love: history. Against the odds, some countries have effected stunning transformations of their institutions and ideologies. The best examples are Japan's Meiji Restoration and the recent rise of the Asian "tigers". These countries successfully transplanted a version of western capitalism into quite unpromising soil. This is where the new institutional economists should dig if they hope to produce relevant policy prescriptions. In the meantime, the soundest guide is the proven wisdom of thinkers such as Adam Smith.

The route to the genetic code



A spur for the gene hunters

Clive Cookson says the mapping of mankind's genetic make-up marks a medical landmark

Annual fund-raising telethons, added to a $10m bequest, have financed an astonishing tour-de-force for French science: the first "map" showing the entire genetic make-up of mankind. It will help researchers move more quickly to identify the genetic causes of thousands of diseases.

Last week's publication of the "physical map of the human genome" by the Centre d'Etude du Polymorphisme Humain (Ceph) in Paris is a landmark in medical research. And it rounds off a golden year for genetics – the most productive since 1953 when James Watson and Francis Crick discovered the double-helix structure of DNA, the chemical that encodes genetic information.

During 1993, the world's researchers have found the precise genetic cause of scores of inherited diseases, including Huntington's chorea, a type of dementia, and several forms of cancer. Ceph says its map will enable gene hunters to move 10 times faster in future. There is now a real prospect of deciphering all 3bn chemical "letters" in the human genetic code – known collectively as the genome – by 2000.

"Before today, a physical map existed for only two per cent of the human genome; our map covers about 90 per cent," says Dr Daniel Cohen, the ebullient director of Ceph. He is a natural performer – whether explaining genetics or playing the piano at the annual telethon, sponsored by the French muscular dystrophy association, which raises $12m a year for gene mapping at Ceph and its daughter laboratory, Généthon.

American gene mappers, who receive $165m a year from the US government's grandiose Human Genome Project, have been amazed by the rapid progress at Ceph and Généthon. But they were happy to swallow national pride and acclaim the French achievement. Dr Francis Collins, head of the US National Centre for Human Genome Research, calls the map "an enormous practical boost to gene hunters".

"This will allow scientists throughout the world to discover more quickly the genes that cause diseases such as muscular dystrophies, epilepsy, diabetes, asthma, cardiovascular [heart] disease and certain cancers," says Dr Glen Evans, director of the Salk Institute's Human Genome Centre in California.

Researchers looking for the cause of an inherited disease search first for "genetic markers" – stretches of DNA near the target gene that are present in patients but not in other people. Now, they should be able to find these markers like landmarks on the new map and home in quickly on the gene responsible.

Researchers can produce a diagnostic test for a inherited disease as soon as they know the genetic cause. A treatment takes much longer to develop. Take for example cystic fibrosis, the lung disorder, for which the gene was identified in 1989. Widespread testing for CF started in 1991, but the first clinical trials of CF gene therapy – delivering correctly functioning copies of the defective gene to patients' lungs – did not begin until this year; at least five years further clinical development will be required before this treatment becomes widely available.

Asked why his team was first in the world to produce a genome map, Dr Cohen points out that he started before anyone else: "I founded Ceph in 1983 with Jean Dausset [a Nobel-prize winning geneticist] using a $10m bequest from a French art collector. So we had six years experience before the Human Genome Project was launched in the US in 1989."

Others attribute Ceph's success to Dr Cohen's single-minded enthusiasm. "He created a unique environment in which to carry out such a large-scale task, at a time when it was not possible anywhere else," says Dr David Bentley, head of human genetics at the Sanger Centre near Cambridge in the UK. "He identified the best techniques and automated them very effectively."

Creating the map is like solving a complicated biological jigsaw puzzle

Ceph and Généthon operate 30 robots to do much of the work performed by scientists and technicians elsewhere – an unprecedented level of automation in biology research. The essential technology for labelling and detecting DNA fragments was developed in collaboration with Amersham International, the UK life sciences company.

Creating the map is like solving an immensely complicated biological jigsaw puzzle – cutting up DNA in different ways with enzymes and fingerprinting the fragments to see how they overlap and fit back together.

The French scientists do not work with raw human genes. Instead they have refined a trick originally invented in 1987 in the US. They cut the human DNA into large pieces and transfer them into yeast cells. As the yeast grows and divides, it produces clones of the human DNA, known as yeast artificial chromosomes. These YACs are then sliced into smaller fragments for detailed analysis.

Dr François Gros, the geneticist who is secretary of the French Academy of Sciences, describes the resulting physical map as "a continuous ordered set of DNA fragments, essentially a guidebook to the genome". But to the untutored eye, it looks like an incomprehensible jumble of overlapping horizontal lines and vertical bars of different lengths, labelled with long strings of letters and numbers.

The data would form a pile of paper as high as the Eiffel Tower, if printed out in full. A "condensed" version will be published as a 300 page book early next year. But any researcher wanting to use the map will have access to it on the Internet computer network, which connects scientists around the globe.

"We have introduced a new style of communicating data," Dr Cohen says. "We have tested the database with some of our international collaborators but I guess it will take a few months before everyone gets used to it."

As a point of principle, Ceph and Généthon will not try to patent the map or any of the information in it. But they recognise that, under the present rules, researchers elsewhere could use the map to identify specific genes and then patent them for diagnostic or therapeutic applications.

International collaboration on a large scale will be needed to fill in the gaps in Ceph's map, find inaccuracies and improve its resolution. The aim is eventually to decode all of the estimated 100,000 human genes and know precisely where each gene lies on the 23 chromosomes that make up the human genome. This is likely to be achieved in the first decade of the next century.

Dr Cohen promises the excitement of genetic research will feed through to patients, in the form of improved treatments and eventually cures. "In 10 to 20 years most of the diseases caused by single gene defects, like cystic fibrosis, will be cured," he says.

The most serious ailments of western society, such as heart disease, mental illness and cancer, result from a far more complex interaction between multiple genes and the environment in which we live. But, Dr Cohen says, "in 50 years most of these serious diseases will also be cured – and 50 years is almost no time in the history of medicine."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Pensions: reform only answer to problems

From Mr John Moret.

Sir, Barry Riley (The Long View, December 11) is to be congratulated on his pragmatic assessment of the "personal pension blues". As he points out, there are no implicit flaws in the personal pensions concept – it is the product design, distribution and regulatory framework which have caused the problems.

The Financial Services Act has only belatedly caught up with the post-1988 pensions regime. Even now anomalies exist – for example, rights under an occupational scheme are outside of the FSA. The legislative framework for pensions is unnecessarily complex – the Goode review team acknowledged this but was unable to suggest any real simplifications. Many of the complications are a consequence of conflicting tax and social security constraints – not least because of the inconsistencies of contracting-out arrangements.

Personal pension providers have exacerbated matters by designing products with obscure charging structures, partially to facilitate disproportionate commission payments – with acquiescence of the regulators. The investment and interest rate risks associated with any "money purchase" provision are real but can be minimised through judicious use of a variety of investment instruments, including derivatives – and a more flexible approach to annuity provision – as highlighted by William Burrows ("Escaping the annuity trap", December 11).

Regrettably future changes will not redress matters for those who have been ill-advised in the past. However, what is needed is a creative and radical reform of the whole pension provision infrastructure – not tinkering with the existing framework and the introduction of further tiers of bureaucracy.

A new style, employer-sponsored personal pension with tax relief dependent on compulsory employer contributions and limited commission and overall expense loadings would be a stop forward. The personal pensions golden goose may not be dead – but it is in desperate need of some swift intensive care.

John Moret,
pensions manager,
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Provident Way,
Basingstoke,
Hampshire RG2 2SZ

From Mr Hyman Wolanski

Sir, The only real surprise in the current controversy about transfers from company pension schemes to personal pensions is the extent to which everyone seems to be so surprised by all this.

The problem mainly falls in two distinct areas:

1. Enticing members of company pensions schemes to opt-out of their company scheme into a personal pension; and

2. Transferring benefits left behind in a previous company scheme to a personal pension.

You do not need to be a genius – or even an actuary – to realise that an occupational pension scheme into which an employer is paying substantial contributions is normally going to produce much better benefits than a personal pension into which no employer contributions are made. Evaluating the option of giving up a deferred pension and taking a transfer value from a company pension scheme to a personal pension is extremely complex. Very few advisers have the necessary expertise in *both* company pension schemes *and* individual pension arrangements to carry out such an analysis properly. Those that can do this normally charge for the time spent on the exercise and in our experience very few individuals, or financial advisers, are prepared to pay for this advice.

Hyman Wolanski,
Wolanski & Co,
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From M G Newmarch.

Sir, I am seriously concerned about the recent publication by the Securities and Investments Board of a KPMG survey on transfers of benefits from occupational pension schemes to personal pension contracts.

The survey looked at 10 companies out of the 240 members of Lautro, the self-regulatory organisation – the Prudential was not among them. We have taken and continue to take a prudent and responsible approach to such transfers and do not accept the results of the survey apply to pension transfer policies arranged through Prudential representatives. Nevertheless we shall of course be happy to discuss any concerns our customers may have.

M G Newmarch,
chief executive,
Prudential Corporation,
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PEPs, private investors and a lack of concern

From Mr Peter Spencer.

Sir, Mr J D Wittle made a good point in his letter "Crestfallen investors" (December 11) about the seeming lack of concern for the private investor in the drawing up of plans for the Crest share settlement system.

I think there has been a similar lack of concern in the way that personal equity plans (PEPs) have been allowed to develop and I would like to feel that pressure will continue to be brought to bear on both matters.

Surely the Treasury – and the Bank of England – should see that the respective systems take fully into account the needs of the private investor.

In the case of Crest, it is essential that private investors should not be disadvantaged by a higher cost structure, but with both Crest and (self-select) PEPs it seems vital to me that the investors' names should be "on the register" so that they receive balance sheets, proxy forms etc. The Bank of England Crest team is said to be wishing to improve what it call the "visibility" of the relationship between companies and their shareholders when nominees are used – which I take to mean the same thing!

My plea is, therefore, that pressure should be maintained on behalf of the private investor in relation to Crest and to PEPs. Certainly ProShare should be supporting the case and I feel that it would be a great help if you would continue to publicise the matter on behalf of your private investor readers.

Peter H Spencer,
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Seeking same subsidies

From J E Ferry.

Sir, You are right ("Gatt and the media", December 15) that many of the EU arguments are a smoke-screen for a commercial interest. You have unintentionally contributed to that smoke-screen by repeating the French disinformation that the Americans want subsidies for European films cut or abandoned.

This is not so. What they do feel, and this is highly understandable, is that their European subsidiaries should benefit from the same subsidies when the source of those subsidies is a levy on box office receipts and when those subsidiaries make films in Europe. Far from trying to intervene in the fiscal policies of sovereign states, the Americans are seeking to eliminate unlawful discrimination.

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Food's fine, fuel's unfortunate

From M A Grazier.

Sir, Gillian Tett's article on the developments in the Russian aviation industry (Business Travel, December 13) was both educational and humorous, particularly her descriptions of herb omelettes, champagne and roses.

I think her readers will be less amused, though, to learn that the 161 new regional carriers in Russia use petrol to power their aircraft. My information is that kerosine (Jet-A1) is the most likely choice of fuel for safe and timely arrivals.

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Monday December 20 1993

Europe's steel deal

The fury of private steelmakers over Friday's deal by European Union industry ministers on state aid is understandable. Unsubsidised steel businesses, mostly private-owned, will be damaged by the agreement to approve Ecu7bn in hand-outs to inefficient state-owned companies in Germany, Italy, Spain and Portugal. Closures of more efficient, unsubsidised plant are now likely.

The acceptance of blatantly unfair competition in the steel industry also sets a worrying precedent. In coming weeks, the European Commission will consider whether to approve state aid to several national airlines and Bull, the French computer group. It must be hoped that its negotiating position has not been weakened by the steel deal.

Yet it is also clear that it was never going to be politically possible to enforce a no-subsidies regime for steel. The German, Italian, Spanish and Portuguese governments would not have agreed to a course of action that brought about large and highly visible job losses in regions which already suffer from high unemployment.

The question is therefore not whether aid should have been approved, but whether a sufficient price was extracted in return. The main *quid pro quo* was an agreement by the offending governments to close 5m tonnes of capacity, and not to give their companies any more subsidies. But there were also fudges: new capacity is being built in Germany, while some of the Italian plant being "closed" has not been producing steel since 1991.

Mr Karel Van Miert, the competition commissioner who managed the deal, argues that it was not possible to take a tougher line because the Treaty of Paris, which covers steel and coal, requires subsidies to be approved unanimously, so giving every country a veto.

But it is not clear why the requirement for unanimity could not have been turned into a strength rather than a weakness. After all, without agreement, aid is illegal under the Treaty.

Of course, such a move would have sharply raised the stakes and would only have been possible with the full support of other commissioners. In particular, Mr Jacques Delors, the Commission president, would have had to become publicly involved.

A tougher line would have produced a fairer deal. Even if governments had refused to make further capacity cuts, it should have been possible to extract other concessions. For example, the Commission could have insisted that member states which subsidised their steel companies compensated unsubsidised competitors for the damage.

It may now be too late for a compensation scheme in the steel industry. But such an arrangement should be part of any future deal which involves the European Union approving state aid. Not only would this ensure redress for those harmed by unfair competition. It would also make governments think twice before handing out subsidies.

UK training

For roughly a decade there has been a strong consensus around the view that raising the skill level of its workforce is the UK's most important microeconomic priority. After a week which has brought the first sighting of skill shortages in the West Midlands, as well as a widely publicised attack on the new system of National Vocational Qualifications (NVQ's), it may seem that this consensus has not produced much in the way of worthwhile results.

But given the structure of the UK labour market and the lack of the formal framework on which training is based in other countries, reform was always going to be a long haul. And the overall picture is less gloomy than recent news suggests. Britain now has, for the first time in its history, a national system for company-based training, in the shape of the employer-led Training and Enterprise Councils and the employer-devised NVQ's. Both have their shortcomings, but they are not set in stone and can be improved with experience.

They are also taking shape in a much more friendly environment than 10 years ago. Training budgets were cut less in this recession than in the last. And the latest Labour Force Survey finds that 2.8m employees of working age received job-related training in the four weeks prior to being interviewed, an increase of 69 per cent over 1984.

Much of this training effort is being concentrated on elite groups, such as computer specialists, or takes the form of crash courses to compensate for the fact that initial training in middle range craft and technical skills is so poor. It is with the latter in mind that the government has now come up with a third leg to its training effort – a "modern" apprenticeship scheme, to be launched in autumn 1995. This is a long time to wait, but at least the delay shows that the government is not seeking short-term political advantage.

There is also enough time to work out an appropriate combination of public and private financing, something which in-company training has not had before. Indeed, the apprenticeship scheme might be an opportunity to experiment with German-style collective employer funding, topped up by public funds, in an effort to reduce the temptation for companies to poach skilled workers rather than train them. The fact that young people's wages are continuing to fall ought to help.

The NVQ system needs refining: it should be more stringently tested and less job specific. For all its faults, though, the current training framework does try to integrate training with real business needs, something which the grandiose plans of the 1960s and 70s often failed to achieve. Handing training over to employers is not on its own a solution. Combined with financial incentives which encourage more employers to provide quality training, it can be. The government is still shuffling in the right direction.

Charity lottery

Would Britain's national lottery raise more money for good causes if it gave its profits to charities rather than to shareholders? Mr Richard Branson, the airline entrepreneur, and Lord Young, the former Tory minister who now runs telecommunications group Cable & Wireless, say it would. Their Lottery Foundation plans to bid for the lottery on a charitable basis when the licence is put out to competitive tender this week. All their rivals are profit-driven.

Charity gives Branson and Young a public relations edge. But while it is welcome that the two men are giving their time for nothing, that should not be a decisive factor. Profit is not a dirty word, but an important means of motivating people. Not only have both Branson and Young preached the gospel of enterprise in the past. Their lottery will also provide suppliers with the opportunity to make profits, precisely because they feel that the operation must be commercially-orientated.

Moreover, it is not as though all the money from a profit-driven lottery would go to shareholders. They will get only what is left over after payments to the government's fund for good causes, prize money, lottery duty and administration costs. Because the licence will go to the bidder with the best prospect of maximising funds for good causes, there should be little opportunity to earn monopoly profits. Indeed, it is even possible that the winner will end up losing money if it overbids.

The central question is therefore not whether handing the lottery's profits to charity is intrinsically ethical but whether doing so would help maximise the proceeds for good causes. According to the Lottery Foundation, there are two reasons why it would. First, more people would play because they would feel good about the profits going to charity. Second, there would be lower financing costs because shareholders would not need to receive dividends.

Neither of these arguments looks all that compelling. Most of the evidence suggests that people play lotteries because they hope to get rich, not because they feel charitable. Moreover, although the Lottery Foundation would not pay dividends, it would still need to raise debt to finance its operations.

Lack of equity might even be a drawback not an advantage. Without the comfort of an equity cushion, lenders might insist on higher interest rates. And if it was saddled with a high gearing ratio, the lottery would probably have to run itself conservatively. As a result, it could be prevented from pursuing strategies that maximised the return to good causes.

This is not to say that the Branson/Young bid should be rejected on *a priori* grounds. It may hold out the best prospect for maximising funds for good causes if, for example, its rivals are too greedy. If so, it will deserve to win. Otherwise, not.

FT writers examine Mercedes-Benz's decision to locate its new plant in Germany rather than elsewhere in Europe

East, west – home's best

Just three months ago, Mr Helmut Werner, the elegant Mercedes-Benz chief executive, gave the Financial Times an exclusive. Chatting enthusiastically about his planned Vision A car, the company's first venture into the small car market, he said Mercedes was looking for a European site to be devoted exclusively to making 200,000 annually. Four countries were under consideration: Germany, the UK, the Czech Republic and one other. A week later it emerged that France was also on the list. According to Mr Werner, a decision would be made by the end of the year.

The rush was on. In Britain, for example, the Northern Development Company, NDC, responsible for economic regeneration in north-east England, reacted within 24 hours to a request from the Department of Trade and Industry for details of potential 250-300 acre sites.

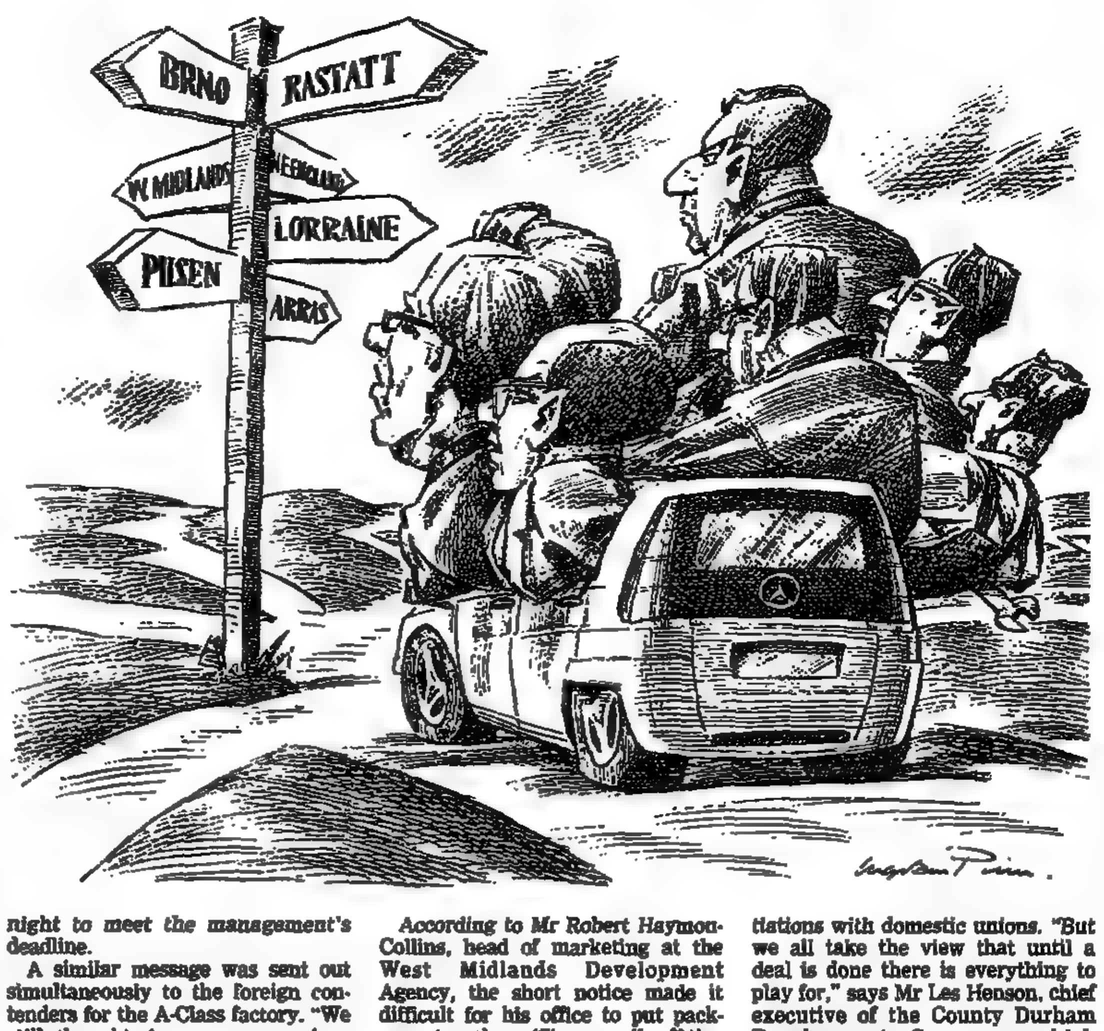
Bidders now admit it was curious that Mr Werner should publicise sensitive plans at such an early stage. It was even more curious that he should be scouting around for a greenfield site when he had a perfectly good, state-of-the-art factory standing almost idle in Germany. Was it conceivable that the ultra-respectable Mercedes was playing an elaborate game? Was it cynically using its international prestige and credibility in an attempt to bluff or brow-beat its German workforce into accepting tough new working conditions in return for the job of building the new car?

The story and the issues it raised were ignored by the German media. They were preoccupied with the Daimler-Benz subsidiary's demands that its 85,000 workforce must accept cuts in perks, bonuses and other benefits which would save Mercedes DM200m (£79m) a year. Days later, Mr Edzard Reuter, group chairman, was piling on the agony at a press conference. Productivity at Mercedes had to increase 40 per cent by the end of 1997; the group workforce was to be cut by 44,000 in 1993 and 1994, and 27,000 of those jobs would be lost from the automotive arm, he said.

But the Mercedes workforce representatives, aware that the A-Class project and 3,000 jobs were at stake, were not going to give up DM200m easily. The pressure on the workforce increased: Daimler's Deutsche Aerospace subsidiary promptly announced the closure of six German factories and sites. Management in the AEG division made sure the world knew of an impending sell-off, including the off-loading of its domestic appliances to Electrolux.

The Mercedes workforce was left in no doubt that group management, after years of talking about restructuring and changes in attitude, was now taking action.

Last Wednesday, when Mr Reuter revised the group-wide job loss total up to 51,000, a somewhat flustered Mr Werner told journalists that the A-Class was to be built at an existing, one-year-old Mercedes works in Rastatt, close to the eastern French border, and that a package of DM200m cost-savings had been agreed with the unions in an early-hours dash the previous night to meet the management's deadline.



A similar message was sent out simultaneously to the foreign contenders for the A-Class factory. "We still thought Arras was a serious contender right up until Wednesday morning," says a local authority official in the northern French town. Mr Patrice Joosep, director of economic expansion at the local chamber of commerce, says he was disappointed. "But we always knew Germany would be a stiff competitor. That's the name of the game in projects like this," he adds.

The British contenders, aware that the Rastatt plant was already built and under-used because of a collapse in demand for cars, say they had additional cause to doubt the earnestness of Mercedes' approaches. It was unusual for a site-search of such importance to be announced publicly, and the three-month timescale was curiously short. But they swallowed their scepticism.

According to Mr Robert Haymon-Collins, head of marketing at the West Midlands Development Agency, the short notice made it difficult for his office to put packages together. "It was all off-the-shelf stuff," he admits. But given that Mercedes would need easy access to an east-coast port – the A-Class is intended as a strictly European city car – his area dropped out of the serious running fairly early in the process. Chatter, gossip and exchanges of notes between local authorities and London ministries indicated that this was the way Mercedes was thinking. Even so, Mr Haymon-Collins says: "We treated the project with due credibility, although one could have predicted the outcome."

The NDC, which has wide experience in the inward investment maze and 375 foreign successes, including the £900m Nissan car plant in Sunderland, says it was well aware that Mercedes might be using the foreign search as a lever in its negotiations with domestic unions. "But we all take the view that until a deal is done there is everything to play for," says Mr Les Henson, chief executive of the County Durham Development Company, which worked together with NDC on the project.

"When an agreement depends on negotiations with a third party which may not succeed, then 'plan B' [a move outside Germany] would come into play. We treated it very seriously on that basis," he added.

Mercedes, too, handled the search with convincing thoroughness, underlined by personal site visits from Mr Werner himself and Mr Peter Martens, director of the A-Class project. Mr Chris Fraser, operations director of the NDC, remains convinced by the seniority of the people involved and their methodical approach that the Mercedes team was seriously evaluating real options.

It was shown two sites, both in Newton Aycliffe, during a one-day visit on November 2. The agencies' efforts were reinforced by the involvement of Mr Ian Gibson, head of the local Nissan operation, and Mr Llew Aviss, personnel chief of the nearby Fujitsu microchip plant.

The Yorkshire and Humberside Development Association, YHDA, offering sites at Doncaster and Hull – both ports already used by Mercedes for shipping parts and vehicles – was chary at first. "But then it got very serious indeed," said Mr Mark Saville, the association corporate affairs manager. "If it was all bluff, we are convinced the people looking here did not know anything about it."

A German team, led by Mr Martens, garnered more information than even companies that had actually moved into the region in the past. Two YHDA staff were seconded to the project full-time. Mr Martens appointed local agents and consultants to assess the sites. The association produced an exclusive promotional video for screening in Germany.

The touring party also apparently paid serious attention to the Czech Republic, where four towns volunteered themselves. The Stuttgart team descended on a 100-hectare former army base close to the Skoda engineering works in Pilsen. Mr Vladimir Dlouhy, trade and industry minister, was not very optimistic when he emerged from follow-up talks on November 22. After all, earlier talks with the group on establishing a $250m trucks joint venture, had collapsed only in March.

After the Rastatt announcement, the disappointment appeared greatest at the YHDA, which at one stage put other jobs to one side and set all its 30 staff to work on the project. There was more stoicism further north. The NDC's Mr Fraser found the experience valuable. "Being on the shortlist will stand us in good stead in future," he said. His County Durham colleague, Mr Henson, agreed: "An experience like that makes you better prepared for the next large project that comes up. We're just waiting for the next one now."

As Mr Henson suggests, optimism is a far more valuable quality than scepticism in real-life business dealings. Events of the past few days tend to prove the thesis. As the FT has since learnt, the Arras town hall spokesman was right that his area was in the running until the last minute. The northern French town had been top of the Mercedes reserve list. The company had made all the necessary arrangements for a press conference in Paris last week to announce that the plant was to go to Arras.

But the media invitations were not faxed. At the last minute, German union officials swallowed their scepticism about the seriousness of Mercedes' threats. They surrendered the DM200m savings demanded by management, and secured 3,000 German jobs.

Reports by Christopher Parkes, Ian Hamilton Fazey, Paul Cheeseright, Patrick Blum, Chris Tighe, Alice Rawsthorn, Kevin Done

Stick to shake at workplace

Christopher Parkes on German cost-saving labour deals

The Robert Bosch group started it. A year ago, when most of German industry barely suspected how deep a recessionary hole it was in, the publicity-shy electronics concern was already digging its way out.

It had decided to build a new semiconductor facility. Its preferred site was Reutlingen, home since 1971 to most of its sophisticated electronics capacity. The snag was that for technical reasons, the plant had to be run round-the-clock, seven days a week, and the trade unions would have none of it.

Negotiations started and planning went ahead – for two sites, one in Germany and one in Scotland. By February this year the package was complete. The German unions had overcome their ingrained opposition to weekend working. With little fanfare, the DM200m investment was approved for Reutlingen, 300 jobs were secured, and the Scots were out in the cold.

A month later, the company told its German workforce that despite a cost-cutting programme, some of its products were still 30 per cent more expensive than those of foreign competitors. As a result, the previously-agreed 3 per cent pay rise, due on April 1, would apply only to basic pay. All the "traditional" perks and bonuses would be excluded from the calculation, saving the group DM250m a year. White collar workers received letters telling them their salaries would be reduced by 3 per cent.

Bosch, with more than 150,000 workers worldwide, had successfully set about undermining two of Germany's notorious structural defects – a seemingly unbreakable upward pay spiral and inflexible working practices – which hitherto appeared to have condemned all the country's manufacturing to a future of fading international competitiveness.

Since then, there have been several variations on the Bosch stick-and-carrot theme, with, unusually for Germany, rather more emphasis on the stick than the vegetable.

By threatening to build a new factory outside Germany for its projected A-Class mini car, Mercedes last week wrung concessions on operating economies from unions worth a claimed DM200m.

General Motors had previously struck a similar deal for a 475-job diesel engine line to be installed in Kaiserslautern in preference to any of the nine other options under consideration outside Germany. Volkswagen, by threatening 30,000 job losses, recently won agreement to reduce working times which will mean real reductions in net income of up to 12 per cent for 100,000 employees.

So far these signs of a new order have been confined mainly to the automotive industry (Bosch is a leading vehicle components maker) which has been worst hit by recession. But the results, achieved with little or no serious industrial unrest, suggest that if the process can be kept up and extended into the deeper reaches of the industrial base, German manufacturing may soon be back on the road to international competitiveness.

Whether or not, as some union leaders and politicians claim, employers are gaining the upper hand through the use of coercion or blackmail, the acceptance of change is spreading rapidly through the industrial workforce, and the beginnings of a snowball effect are already apparent.

GM's engine plant deal, for example, set the tone for a parsimonious four-year agreement, signed last month, covering all 50,000 employees of Adam Opel, the US group's vehicle-making subsidiary in Germany. This includes workers accepting only two-thirds of any nationally-agreed pay increases for the duration of the deal. All of Mercedes' German employees agreed to less generous pay and conditions arrangements to safeguard 3,000 jobs at the Rastatt plant.

The most obvious assumption prompted by the events at Bosch, GM and Mercedes, in particular, is that the companies believe they will now be able to make semiconductors, diesel engines, volume cars and high-class minis and sell them at competitive prices anywhere in the world market. It may not yet be wholly true, but the signs are that progress is being made, and that the premium-earning "Made in Germany" label has more of a future than many would have believed 12 months ago.

OBSERVER

Claymores at the ready

■ Who will become head of the Auditing Practices Board, now that Bill Morrison, the incumbent, is retiring from KPMG Peat Marwick and heading back to his native Scotland with a sporran-full of part-time appointments?

Some board insiders favour another Scot, Ian Percy, head of the Scottish Accounts Commission and ex-president of the Institute of Chartered Accountants of Scotland.

That would sustain the kilted caucus which dominates the musty world of accounting and auditing in the UK, since another tartan number-cruncher, David Tweedie, is chairman of the Accounting Standards Board.

But word is that the top dogs at the Institute of Chartered Accountants in England and Wales have a different idea this time round. The non-Scottish contingent seem to prefer the distinctly English Ian Plaistowe of Arthur Andersen.

Keswick taxed

■ Now that Kenneth Clarke's first Budget has bedded down, some entertaining snippets are beginning to emerge concerning his longstanding special adviser, the independently wealthy aristocrat, Tessa Keswick.

Quick learner she may be – Keswick won plaudits for November's budget – but clearly she had to be.

Soon after Clarke took over as Chancellor, at a meeting with some of his key key advisers, Keswick put a question to a neighbour: "Let me get this absolutely clear. Direct taxation refers to this year, and indirect to next year, am I right?"

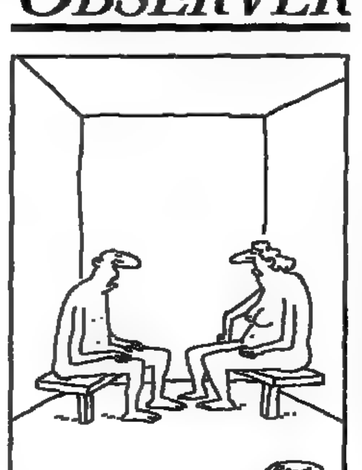
But noblesse oblige: Treasury colleagues still loyally speak of Keswick's "unrivalled political feel".

Rotting boroughs

■ Those of you who imagine the European parliament to be a dull old place, stuffed with humourless Eurocrats – think again.

At least one Euro MP – Caroline Jackson, a Tory from Wiltshire – is showing distinct signs of wit. She has just written to Egon Klepsch, president of the parliament, to see how many of her fellow 515 deputies are still alive.

She says: "For a year I have been sitting next to an empty chair assigned to an MEP from Naples.



'Hell doesn't exist – this is purgatory'

He has not turned up for any debate or any vote for a year. Is he possibly dead? In which case I am very sorry, but maybe he should not be being paid his salary, not to mention half his office allowances."

Jackson adds that "some MEPs have not been seen for years. How many other dead souls might there be?"

Of course there is always another side to an argument. Perhaps Jackson's Neapolitan neighbour has got the full measure of the place and is engaged in a lengthy, though silent, boycott?

Post haste

■ The disappointed folks who failed to get their expected invitations to the Clinton-Gore Inauguration last January may still strike lucky, albeit a year late.

For they may be among the unfortunates whose mail has just turned up in a warehouse in Blytheville, Arkansas. A container holding 40,000 pieces of mail and Christmas 1992 gifts has just been unearthed at the back of the warehouse.

Many of the invitations were to be sent to addresses in Arkansas and Tennessee, the home states of President Clinton and Vice President Gore. The mail will now be delivered "as soon as possible"; with luck in time to stop them voting Republican next time round.

John who?

■ The considerable cash spent every Christmas by British households on trivia knowledge games is evidently wasted.

In a recent Gallup poll of more than 1,000 adults, just 11 per cent recall Pete Sampras as winner of this year's mens' singles champion at Wimbledon; 28 per cent come up with the right name – Steffi Graf – for the womens' singles.

Only one in three remember the names of the two world boxing champions – Chris Eubank and Nigel Benn – whose October fight ended in a draw.

Literary and artistic general knowledge is also abysmal; only 14 per cent know that William Golding wrote *Lord of the Flies*, while just 35 per cent correctly pinpoint Tchaikovsky as the composer of the 1812 Overture. A paltry 23 per cent accurately say that ERM stands for Exchange Rate Mechanism.

Clearly standards of education are not what they should be. Complaints should be addressed to John Patten, education minister. But then, according to the same survey, only 25 per cent of us know who he is.

Beyond Arafat

■ The Christmas spirit has seeped into the oddest places, including august publishing houses.

An colleague of Observer's was last week told by his publishers to expect copies of the new edition of his jointly penned biography of Yasser Arafat. The package duly arrived, containing six copies of a tome entitled "Beyond Ararat: Travels in Eastern Turkey".

FINANCIAL TIMES
Monday December 20 1993

Bentsen conciliatory after attack by vice-president

US officials back IMF over Russian economy

By John Lloyd in Moscow, George Graham in Washington and Edward Balls in London

Senior US government officials have sought to dilute criticism of the International Monetary Fund over its policy on Russian economic reform following a scathing attack last week by Mr Al Gore, the US vice-president.

Mr Gore, who left Moscow on Saturday night after an eight-day visit, had urged the IMF board to pay more attention to the hardship in Russia caused by reform.

But in Washington yesterday, Mr Lloyd Bentsen, treasury secretary, said international financial institutions had to retain some conditions on assistance to Russia "to keep the pressure on the reformers". He insisted the blame for Russia's problems could not be placed on efforts to reform too fast.

"I don't believe that when you are having 10 to 20 per cent inflation a month that means that you are having excessive reform," Mr Bentsen said.

Another senior US official cautioned against making the IMF a scapegoat for the inability of the Russian government to implement reform. "Russia's economic problems have much more to do with too little reform than too much," he said.

However as Mr Gore returned to Washington, officials travelling with the vice-president renewed the attack, alleging the IMF's approach had been inadequate in the run-up to the Russian elections, in which anti-reform parties, including the far right, won a large vote.

One official with the vice-president said: "Setting extremely ambitious macro-economic targets and using the achievement of these targets as a yes/no, do or no-do switch for the release of Western aid – and then watching vigorous efforts fall just short of the target set is insufficient."

On Saturday, Mr Gore won a sympathetic hearing during talks in Germany with Mr Helmut Kohl, although Bonn did not join his call for a shift in the IMF's strategy. After the talks, Mr Kohl said "economic reforms will only be successful ... if at the same time one is able to bring about a social situation that offers a clear and hopeful perspective".

An IMF mission visited Moscow earlier this month but was unable to agree further payments under the wide ranging package agreed earlier this year.

The IMF says there is no Russian budget for 1994 and the only statement on economic policy has come from Mr Viktor Chernomyrdin, the prime minister. He said inflation would be cut to 2 per cent a month, and the budget deficit reduced to five per cent of gross national product, by the end of the year, IMF officials say.

Intense pressure is mounting on the reformers, especially Mr Yegor Gaidar, first deputy prime minister and leader of the main liberal group Russia's Choice, following their relatively poor election showing.

Oil-rich infants vulnerable to Moscow bullying, Page 3

Ulster peace deal may turn on the former combatants

Tim Coone on the pivotal role of Republican 'prisoners of war'

As the IRA and its political wing, Sinn Féin, deliberate over their response to last week's peace initiative by the British and Irish governments, the 700 IRA prisoners held in jails around the world are likely to play a pivotal role in the initiative's acceptance or rejection by the Republican movement.

The fact that the Republican movement refers to them as "prisoners of war" is indicative of the important role Sinn Féin and the IRA expect their release to play in any peace settlement. If the "war" is declared over, then the logic from their perspective is that all prisoners captured in that "war" should be released.

A Sinn Féin spokesman said at the weekend: "Prisoners are obviously one of the issues that would have to be addressed if there is to be a meaningful peace process." He added that the issue of loyalist prisoners – of whom there are also 700, mainly in Ulster jails – would be of equal importance to the loyalist paramilitary groups.

Mr Danny Morrison, a former publicity officer for Sinn Féin who is serving an eight-year sentence for unlawful imprisonment, is one of the key figures within the prisons directly responsible for organising debates and discussions among IRA prisoners on the peace initiative. In his column published in Republican News, the nationalist newspaper, he has also been one of the leading advocates over the past two years of developing a peace process and of reaching an accommodation with the Unionists.

Mr John Major, the British prime minister, said last week that there would be no amnesty for paramilitary prisoners. This does not, however, rule out a case-by-case review and the possibility of remission of sentences being granted by the attorney general.

Mr Albert Reynolds, the Irish prime minister, said he believed that the issue of the prisoners in the UK and the republic would be approached "with flexibility". He said that the first Anglo-Irish joint Brussels statement in October, which refers to "doors being opened" in the event of a cessation of violence, implies that the issue of prisoners will be addressed.

Most IRA prisoners are serving sentences of 15 years or more, according to the Sinn Féin "PoW department" in Belfast. A total of 90 of the 700 are serving life sentences of 20 years or more, mostly for murder. Many of the rest are serving sentences for possession of firearms or explosives. In Northern Ireland, someone found with a firearm is likely to be charged with "possession with intent", which carries a much heavier sentence than "possession" alone.

Of the 700, 350 are held in the high-security Maze/Long Kesh prison in Northern Ireland.

A further 260 are held in other prisons in the province, some of these being prisoners on remand awaiting trial or sentencing.

Some 55 prisoners are held in Portlaoise prison in the Republic of Ireland, while a further 30 are held in mainland Britain. 12 more are imprisoned in the US or continental Europe.

In the Republic, four prisoners are serving the maximum sentence of 40 years, an uncommutable sentence except through the intervention of the president.

Over the coming week, a total of 440 prisoners from Northern Ireland's jails will be given a seven-day Christmas release on parole. This figure includes IRA and Loyalist paramilitaries, as well as ordinary criminals. Significantly, 95 will be prisoners serving life sentences for "terrorist-related offences", according to the Northern Ireland Office. Sinn Féin said that about 60 of these will be from the IRA.

It will be an important opportunity for those in prisons to exchange views with those on the outside.

According to Mr Richard McAuley, the Sinn Féin spokesman, "if there were to be a divergence, those in prison would not have a veto over the people on the outside. The prisoners are just one of the constituencies of the Republican movement, but we will look very hard at what they come up with. At this stage we are all moving on the same track".

Italian deputies approve austerity budget

By Robert Graham in Rome

Italy's chamber of deputies has approved the 1994 austerity budget and the Senate is now almost certain to give the go-ahead this week, opening the way for general elections early next year.

At the same time the government over the weekend agreed two decrees to reform the country's existing electoral constituencies – the final piece of electoral law reform.

With the 1994 budget approved and the electoral law complete, Mr Carlo Azeglio Ciampi, the prime minister, has fulfilled the two fundamental tasks he undertook when he was persuaded in May to leave the governorship of the Bank of Italy and become prime minister.

The budget was approved by 276 with 49 abstentions and 35 against (Greens, hardline communists and the neo-fascist MSI). It envisages syphoning L32,000bn ($19bn) out of the economy, two thirds through spending cuts and the rest through new taxes. The emphasis on spending cuts reflects the Ciampi government's view that the 1993 budget had increased fiscal pressure far enough.

The 1994 budget deficit will be cut from the current 10.5 per cent of gross domestic product to 8.7 per cent.

This now leaves the way open for President Oscar Luigi Scalfaro to dissolve the parliament in which one in six members are under investigation for corruption-related offences. He is likely to do this in his year-end address to the nation.

March 20 has been suggested as a possible date for general elections for Italy to experiment with new laws that introduce the principle of a first past-the-post majority voting system.

The 1994 budget has been a tough test for Mr Ciampi, the first non-elected prime minister this century. His parliamentary majority was thrown in doubt by the collapse in the last few months of his main backers, the Christian Democrats and Socialists. These traditional ruling parties were also asked to endorse tough measures that hit hard at their supporters with cuts in early retirement pensions and enforced job flexibility in the civil service.

On several occasions in October and early November Christian Democrats and Socialists threatened to sabotage the budget. In contrast, the former communist party of the Democratic Left (PDS) took the unusual step of publicly committing itself last month to vote for the budget – even though its framework is based entirely on market principles. This underscored the desire or Mr Achille Occhetto, the PDS leader, to be seen as a responsible figure capable of heading a future government.

THE LEX COLUMN

Sunny side of the Street

International investors worried about the turn in US interest rates might take heart from the behaviour of Wall Street. US equities have remained remarkably calm in the face of rising bond yields. The yield on 30-year Treasury bonds has risen by half a percentage point since mid-October as the economy has gathered momentum. Short-dated issues have started to anticipate that the Federal Reserve will raise interest rates in the early part of next year. But one or two bouts of nerves aside, the equity market has held its ground.

One reason is that even bears of the US bond market concede that long-dated yields are unlikely to rise much above 6.5 per cent next year, from 6.3 per cent now. While the outlook for growth is starting to improve, unit labour costs remain firmly under control. The output gap is wide enough to allow several quarters of above-trend growth before serious inflationary pressure are felt. If growth fell away in the first quarter of next year, long bond yields might even trickle back.

A sharp tightening of short-term rates could still cause trouble. With shares yielding so little and the outlook for dividend growth poor, equities would surely suffer from higher returns on cash. Tomorrow's meeting of the Fed's Open Market Committee will doubtless stoke speculation. Respectable employment figures in the new year, combined perhaps with early signs of a resurgence of bank lending, would be reason enough to nudge rates higher. Given the uptick in bond yields this autumn, a gentle rise in interest rates should be already in the price.

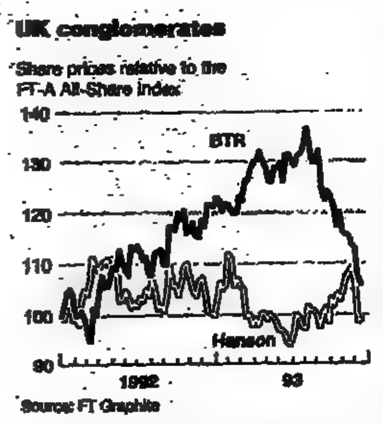
UK accounting

The UK business community is divided on the thorny issue of accounting for goodwill. The Accounting Standards Board is no exception. Today's discussion paper offers two methods of treating goodwill, the premium to net assets paid by companies on acquisition. Half the board's members believe that goodwill is not a measurable asset and should be written off to reserves. The rest maintain that it should be capitalised in the balance sheet. Rather than writing off all goodwill over a fixed period, though, companies would depreciate only if the investment falls in value.

The second approach might have the virtue of capturing companies which overpay for acquisitions, since big depreciation charges should result.

UK conglomerates

Share prices relative to the FT-A All-Share index



Source: FT Graphite

But that assumes a watertight method of valuing companies can be found. The discounted cash flow test suggested by the ASB depends on assumptions about margins and overheads, which are highly subjective. The ASB hopes to prevent abuse by insisting on a second test, based on the past performance of the acquired company. Whether that would be sufficient to prevent over-optimistic valuations remains, at best, unproven.

Still, if the method is shown to be sound, the approach deserves a fair hearing. The wider danger is that companies and accountancy firms might come to dominate the debate. Two-thirds of written responses came from these parties during the last attempt to find a solution. The onus is on shareholders and other users of accounts to make their views known. A politically acceptable solution which detracts from transparency is not a desirable outcome.

BTR

It is always unsettling to see a company's shares slip without apparent reason. BTR's fall from favour this autumn, which has seen it underperform by 20 per cent since its peak in August, is a case in point. The immediate explanation seems to be fresh focus on the £305m provisions taken after the Hawker acquisition, and the extent of the company's short-term debt. Some £2.8bn of bank and other loans or 88 per cent of total debt was repayable within two years at the end of 1992, though the company also had cash of £1.06bn.

Yet the Hawker provisions are nothing new. Nor is there any sign that debt is troubling the company. If its debts were getting uncomfortable, BTR would hardly have splashed out £550m buying Rexnord this month. BTR's short-term debt jumped after its acquisition of Hawker. It has been coming down since then. A legitimate question, though, is the pace at which it falls in the second half of the year.

The company's cautious interim statement is not particularly encouraging in this regard. Weak markets, for example in aerospace, may reduce the need for working capital. But the chances are that the company may be heavily reliant on disposals, the enhanced scrip and warrant conversions. Next year, underlying cash flow should improve – not least because the Hawker reorganisation will be over. Meanwhile, by taking large provisions and running up its short-term debt, BTR has made itself vulnerable to speculation. But at 354p, its shares yield 4 per cent, and the company is much less hemmed in than Hanson after Quantum.

Property valuation

Trafalgar House's three rights issues in short order have at least enabled it to write down its assets to a realistic level. Some of these revisions, though, have thrown up further questions about the subjectivity of property valuations – in particular, the swingeing writedowns taken on Trafalgar's joint venture developments at Paddington Basin and Chiswick Park.

Previously, Trafalgar had booked these on the basis of their projected values on completion, relying on forward assumptions about yields, costs, and interest rates. But doubts about how quickly these projects can be finished have led Trafalgar to revert to a current valuation basis for these sites. Using the Royal Institution of Chartered Surveyors' red book, Trafalgar House has now cut the carrying value of its share of the Chiswick Park development from £38m to £8m.

This is all perfectly prudent. But in the case of Chiswick Park, it will leave its partner, Stanhope, in something of a quandary. How each partner chooses to value an investment in a joint venture is a matter of subjective opinion which can legitimately vary according to accounting policy and timing. The joint venture company itself last valued the whole Chiswick Park site at £50m. It would appear decidedly odd if Stanhope did not follow Trafalgar House's lead. At least it does not have to worry about its carrying value until its next year-end in June. Its first priority is to raise £160m of badly needed equity finance.

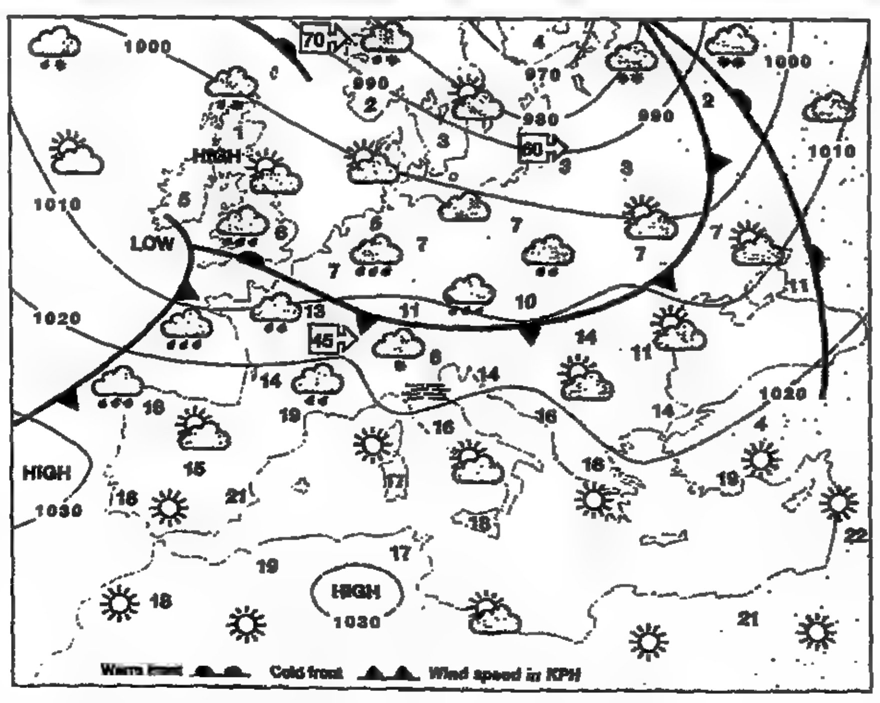
FT WEATHER GUIDE

Europe today

It will be rainy and cloudy across a large part of Europe. A small frontal depression will track east over southern Ireland, southern England and the Netherlands. In the southern parts of the British Isles, the Netherlands, Belgium, northern France and later on in Germany, Poland and the Czech Republic, rain fall of around 20 millimeters in 24 hours may be expected. In the northern parts of the Alps, there will be rain, although above 2,000 meters, there will fall snow. Along the French coastline, a westerly gale is likely. Inland, the wind will increase to a fresh-to-strong south-westerly breeze. Across southern Europe, it will be sunny and dry along the Spanish Mediterranean coast, with temperatures rising to around 20C. In southern France, partly cloudy skies and dry conditions are expected.

Five-day forecast

It will remain very unsettled. A strong westerly flow will bring cool and unstable air into Europe. Rain and showers will be interspersed with clearings, and in northern regions it will become gradually more wintry.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	25
Accra	sun	33
Algiers	fair	19
Amsterdam	rain	6
Athens	sun	18
B. Aires	fair	25
B.ham	rain	3
Bangkok	fair	29
Barcelona	fair	17
Beijing	cloudy	1
Belfast	fair	2
Belgrade	fair	14
Berlin	rain	6
Bermuda	fair	23
Bogota	fair	21
Bombay	fair	33
Brussels	rain	7
Budapest	cloudy	10
C.hagen	fair	4
Cairo	fair	21
Cape Town	fair	27
Caracas	sun	29
Cardiff	rain	5
Chicago	cloudy	2
Cologne	rain	7
D' Salaam	sun	30
Dakar	sun	27
Dallas	cloudy	12
Delhi	sun	23
Dubai	sun	25
Dublin	rain	5
Dubrovnik	fair	18
Edinburgh	fair	1
Faro	sun	19
Frankfurt	rain	10
Geneva	cloudy	13
Gibraltar	sun	19
Glasgow	fair	1
Hamburg	cloudy	5
Helsinki	sleet	4
Hong Kong	cloudy	15
Honolulu	fair	28
Istanbul	sun	14
Jersey	windy	11
Karachi	fair	29
Kuwait	sun	23
L. Angeles	fair	18
Las Palmas	sun	20
Lima	cloudy	24
Lisbon	fair	16
London	rain	5
Lux.bourg	rain	8
Lyon	shower	17
Madeira	fair	19
Madrid	cloudy	15
Majorca	fair	19
Malta	cloudy	17
Manchester	rain	4
Manila	shower	28
Melbourne	fair	22
Mexico City	fair	21
Miami	fair	25
Milan	fog	10
Montreal	cloudy	2
Moscow	snow	0
Munich	rain	12
Nairobi	sun	25
Naples	fair	16
Nassau	fair	25
New York	fair	9
Nice	fair	17
Nicosia	sun	18
Oslo	fair	2
Paris	rain	14
Perth	cloudy	28
Prague	rain	8
Rangoon	fair	34
Reykjavik	cloudy	-4
Rio	fair	29
Riyadh	sun	23
Rome	cloudy	16
S. Frsco	fair	14
Seoul	cloudy	2
Singapore	fair	29
Stockholm	fair	3
Strasbourg	rain	14
Sydney	fair	28
Tangier	sun	20
Tel Aviv	fair	23
Tokyo	rain	15
Toronto	cloudy	3
Tunis	cloudy	17
Vancouver	fair	6
Venice	fair	8
Vienna	cloudy	10
Warsaw	rain	7
Washington	fair	9
Wellington	cloudy	19
Winnipeg	cloudy	-15
Zurich	cloudy	13

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FINANCIAL TIMES
COMPANIES & MARKETS

Monday December 20 1993

Saatchi to shake up US networks

By Diane Summers, Marketing Correspondent

Saatchi and Saatchi, one of the world's largest advertising groups, is preparing to shake up its three agency networks in the US, its biggest market, by splitting off media buying into a separate operation.

The plan, being discussed with Saatchi's main US clients, is being pushed forward by Mr Charles Scott, the recently appointed chief executive. His strategy is to turn round the heavily indebted group by winning new business, cutting costs and increasing operating margins.

The firm approach of Mr Scott, an accountant by background, has led to some disquiet within the group and to rumours that the founding Saatchi brothers, Charles and Maurice, have been looking at ways to fund a buyout of one of the networks, Saatchi and Saatchi Advertising Worldwide. The group has said the rumours are "pure speculation" and the network is not for sale.

Mr Scott's plans for a separate media-buying operation in the US would follow similar developments in Europe. Zenith Media, Saatchi's media planning and buying arm, is set for rapid expansion next year, financed by a proportion of the proceeds of a £73m rights issue in May.

The aim is to differentiate the Saatchi networks from their competitors in the US by offering to clients Zenith's expertise in the purchase of television, radio and press advertising space. At the same time, clients would be able to benefit from the discounts a centralised media-buying operation could negotiate.

Removing the media-buying function from the Saatchi advertising agencies would also allow Mr Scott to cut down on duplication of work and to reduce staff further.

A £10m extra provision for redundancies – which followed the loss of two large US accounts worth a total of £30m for 1994 – plus pessimism about client spending during the coming year, led to a profits warning two weeks ago. Analysts cut pre-tax profits forecasts for this year by about £6m £24m-£29m.

Deutsche wins Hungarian telecoms prize

By Nicholas Denton, in Budapest

A consortium led by Deutsche Telekom, the German state-owned telecommunications company, has pulled off eastern Europe's biggest single privatisation deal after agreeing to pay $875m for a 30 per cent stake in Matav, the Hungarian state telecoms concern.

MagyarCom, the partnership in which Telekom owns 50 per cent plus one share and Ameritech, the US regional Bell operator, the remainder, also agreed to support plans for $4.3bn in capital expenditure at Matav by the year 2002.

The Telekom group defeated a higher headline bid of $910m, offered by Stet International, part of the Italian state company, and its partner Bell Atlantic, the US regional operator. A third consortium of France Telecom and US West, another regional operator, offered $830m.

The Hungarian authorities said price was not the only factor. The evaluators had given credit to Telekom's experience in modernising eastern Germany's telephones.

Sources close to Stet, however, claimed its bid was technically as well as financially superior.

The MagyarCom consortium, although the minority shareholder, will hold half the seats and a tie-breaking vote on the operating committee of Matav.

Hungary's state holding company AV RT, which retains a majority shareholding, reserves the right to nominate the chief executive but MagyarCom names the chief financial and technical officers.

The Telekom group has also promised, as did competing bidders, to turn Hungary into a regional telecommunications hub funnelling traffic from Romania, Ukraine and other east European countries.

The consortium has given commitments to increase the number of lines by more than 15 per cent a year so that Hungary can reach line density of 35 per 100 inhabitants by 1999.

Matav is the first east European telecoms company to be offered to investors. The price reflects international telecoms companies' growing interest in emerging markets.

A tax holiday of 100 per cent for five years and 60 per cent for the following five years also contributed about $200m to Matav's value.

LWT presses on with defence plan

By Raymond Snoddy

London Weekend Television is pushing ahead with a plan to create a quartet of ITV licences under combined ownership, as part of its defence against Granada Group's hostile bid.

Only a passing mention is made of the plan in the defence documents sent to shareholders yesterday. These concentrate on LWT's record and prospects, adding merely that it is in discussions with Yorkshire-Tyne Tees. There is an undertaking that any proposals would be put to shareholders.

Talks that might see LWT making an agreed bid for Yorkshire, and Anglia Television taking over Tyne Tees, appear to be making progress. Apart from the possibility of creating the largest ITV company, if the rules were changed to allow it, more immediate agreements are being pursued. These envisage LWT, Yorkshire, Tyne Tees and Anglia co-operating on everything from cost reduction to programme production.

LWT, as a 14 per cent shareholder in Yorkshire-Tyne Tees has access to board papers and reckons the loss-making company's problems are being dealt with.

Sir Christopher Bland, LWT chairman, said yesterday: "The LWT management have done well for shareholders and themselves. They don't want to bale out now." LWT management holds around 10 per cent of the company.

LWT defence, page 16

David Waller reports on Heinz Schimmelbusch's rapid fall from grace as Metallgesellschaft's crisis becomes clear

From award winner to can carrier

Mr Heinz Schimmelbusch, the charismatic Austrian ousted as chief executive of Metallgesellschaft on Friday, was once the darling of German management circles.

It was only in 1991, at what in Germany is the tender of age of 47, that Mr Schimmelbusch was elected German manager of the year. Two years later, his career at the Frankfurt-based metals, mining and industrial group has been abruptly and ignominiously brought to an end – for alleged mismanagement.

Together with his finance director, Mr Schimmelbusch was fired at a specially convened meeting of the group's supervisory board. He was accused of not keeping the board properly informed of problems at MG Corp, the group's US trading subsidiary which last week forced Metallgesellschaft to turn to its bankers to fend off a liquidity crisis.

Four further directors were nudged out – two into retirement, two demoted – and a new management team was appointed, headed by Mr Kajo Neukirchen, former chief executive of the Hoesch steel group and a restructuring expert.

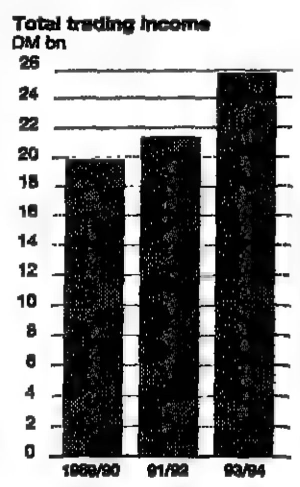
The scale of the management changes is believed to be unprecedented for so large a German company. They point to the seriousness of MG Corp's problems with its dealings in oil futures on the New York Mercantile Exchange, problems which have yet to be quantified as investigations continue.

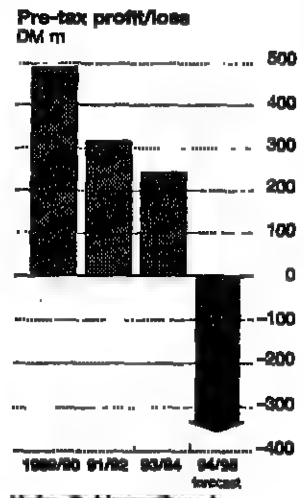
Equally unprecedented is the turnaround in Mr Schimmelbusch's fortunes. One of the youngest chief executives of a large German company when he was appointed in 1988, he quickly won a reputation as a visionary strategist – able to woo both the Anglo-American investment community and the executives of Deutsche Bank, Dresdner Bank and the Allianz insurance group which together own 26 per cent of Metallgesellschaft's shares and dominate its supervisory board.

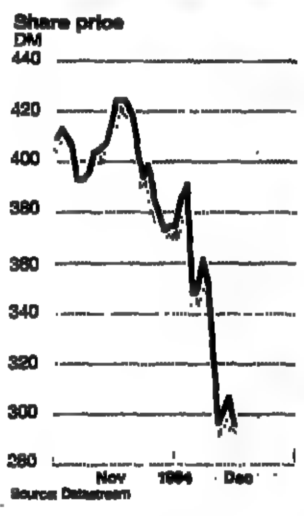
Mr Schimmelbusch, a man capable of being abrasive and charming in equal measure, joined the Frankfurt-based group more than 20 years ago after an early career as an economics lecturer and a year with investment banks in New York.

Wall Street enriched his fluent English with a store of expletives which sometimes shocked the lunch guests he used to take to his favourite Italian restaurant on the outskirts of Frankfurt. While armed bodyguards waited outside, he would deliver his monologues on the future of Metallgesellschaft, and guests left impressed at the eloquence of a gifted salesman.

Metallgesellschaft







Source: Datastream

Heinz Schimmelbusch

With annual turnover of about DM25bn ($14.7bn) generated from about 250 subsidiaries, Metallgesellschaft owes its current structure to Mr Schimmelbusch. His strategy was simple: to reduce the group's dependence on base metals by making acquisitions in other business areas.

Between 1989 and 1992 he spent about DM2.5bn, culminating in one of the biggest transactions in post-war Germany – the DM1.45bn purchase of the non-paper divisions of Feldmühle from the Swedish Stora group.

While the Feldmühle acquisition, which included the Buderus and Dynamit Nobel industrial companies, has yielded healthy profits, the focus of his smaller purchases now seems misguided. His aim was to build Metallgesellschaft into the largest provider of environmental services in Europe. The group has nearly 90 subsidiaries in areas such as recycling, pollution control and decontamination.

Mr Schimmelbusch hoped that other European countries would catch up with Germany's high standards of environmental legislation. But although turnover from environmental services was DM2.8bn in the year to September, demand has simply not developed as planned and profits were a derisory DM31m.

As a strategy aimed at insulating Metallgesellschaft from its dependency on metals and mining, it failed. The group has been hit hard by the downturn in metals prices, partly caused by an influx of cheap imports from the former Soviet Union, and by the severity of the German recession which drove subsidiaries such as Kolbenschmidt, in autocomponents, into deep losses.

Generous analysts were prepared to give Mr Schimmelbusch the benefit of the doubt – after all, he could not have foreseen the lifting of the iron curtain when he initiated his strategy in the late 1980s. Who better than the 1991 German manager of the year to see through the rationalisation needed in 1992 and 1993?

However Mr Schimmelbusch squandered the goodwill he had won from the international investment community and from the German financial and industrial establishment, which had put him on the pedestal from which he was toppled on Friday.

He lost it partly through creative accounting. Few analysts believe that the DM245m profit the group reported in 1991-92 provided a fair representation of underlying performance. This impression was compounded because the group was unwilling to present earnings according to the DVFA formula used by most big German companies to iron out the effects of one-off extraordinary and exceptional income.

In the end he came unstuck because of the problems at MG Corp, which has built up its business in marketing and distributing products such as gasoline and heating oil. When the problems first became public two weeks ago, Mr Schimmelbusch and the group's bankers insisted there was nothing sinister. MG Corp had been obliged to make cash payouts – so-called margin calls – on futures contracts as the price of oil moved down. A mere technicality, said Mr Hilmar Kopper, Deutsche Bank's

Continued on Page 17

The Markets this week

Starting on page 18

PETER MARTIN:
GLOBAL INVESTOR

The style of investing that revolves around country decisions is increasingly outdated, says one US fund manager. What does this tell us about the boom in emerging stock markets? Does the Gatt treaty affect the argument? Page 18

EDWARD BALLS:
ECONOMIC EYE

Japan, not Britain, is threatened by the demographic time-bomb. The UK has a relatively old population, which will age more slowly than other developed countries. But Japan finds itself with a relatively young population which is aging fast. Page 18

Bonds:
The Ecu bond market could be heading for better times, helped by Jacques Delors' "Brussels bonds". Page 20

Equities:
Looking to 1994, Wall Street concern centres on prospects for a shift in the Federal Reserve's monetary policy. Page 21

Emerging markets:
After the Bombay Stock Exchange's leading index soared by nearly 30 per cent in six weeks, stockbrokers went on strike instead of celebrating. Page 19

Currencies:
With most currencies in Europe's ERM creeping back into former fluctuation bands, the possibility of a return to narrower bands is being mulled over. Page 19

STATISTICS

This week: Company news

PARAMOUNT

Sudden death on a newly levelled playing field

The $10bn takeover battle for Paramount Communications will reach a climax this afternoon, which is the deadline set by the Paramount board for final offers for the film and publishing group.

On the table at present are a cash and stock hostile bid from QVC Network, the television home shopping group, which is worth around $9.9bn, and a friendly cash and stock bid from cable company Viacom, worth around $9.6bn.

Both are expected to submit new bids.

The "sudden death" sealed-bid auction follows a rebuke to the Paramount board from the supreme court of the state of Delaware for failing to create a level playing field between the two bidders and for not giving serious consideration to the QVC offer.

The outcome of the battle may not be known for some time. The Paramount board must first consider the bids and will recommend that shareholders accept the one which it believes offers them the "greatest value". This could take several days.

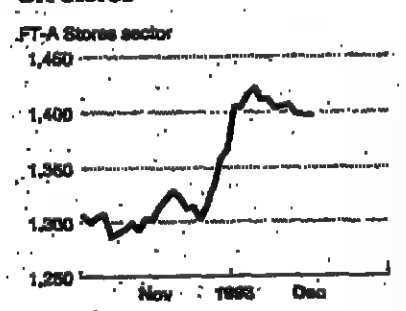
The offers will then have to remain open into January to allow time for acceptances. And the Paramount board has reserved the right to extend the date for final bids.

The board will not necessarily recommend the bid with the highest immediate value.

Assuming the bidding companies offer part-payment in the stock of their businesses, the board may want to weigh up the relative growth prospects of Paramount-Viacom and Paramount-QVC.

However, since the board is lifting the "poison pill" defences which have protected the company from hostile bids, shareholders will be free to ignore Paramount's advice and accept whichever offer they think is in their best interests.

UK stores



Source: FT Graphite

UK RETAILERS

Turkeys lead Christmas charge

The UK turkey market will reach fever pitch this week as more than 10m birds head for the Christmas table. Cut-price offers at the large supermarkets mean consumers are set to gobble up a record number of turkeys.

Turkey sales are the most obvious component in the most crucial four days of shopping in the year. Analysts expect a modest recovery in retail sales this December after two stagnant years, although the November budget constrained consumer spending earlier on. Uncertainty over the outlook for Christmas has been dogging the stores sector for the past couple of weeks. The period is especially important for jewellers such as Signet, the former Ratners chain, as well as for groups such as Boots (toiletries), Marks and Spencer (clothes) and WH Smith (records and books).

It will, of course, be a vital week for turkey producers, such as Bernard Matthews, which holds a 30 per cent share of the market for oven-ready birds.

The sale of other turkey products has helped extend the market. Mr George Hayes, marketing director at Bernard Matthews, said UK demand for pre-packed cooked meat and other turkey products was expected to be about 30 per cent up this year. This includes the niche for its new dinosaur-shaped turkey product which is coated in breadcrumbs.

OTHER COMPANIES

Ferruzzi kicks off record restructuring

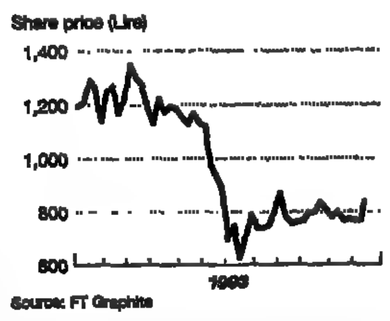
Italy's biggest industrial restructuring operation kicks off on Tuesday with multiple rights issues for Ferruzzi Finanziaria (Ferfin) and Montedison, its main operating subsidiary.

Ferfin is launching a multi-phase capital increase to raise up to L2,932bn ($1.74bn) via a series of rights and warrant issues. Separately, Montedison will raise up to L5,172bn through a complex string of deals involving new shares, warrants on further new stock and warrants to buy equity in its Edison energy subsidiary.

■ De Beers: The diamond group's central selling organisation announces its 1993 sales results today. At the half-year, De Beers, which controls at least 80 per cent of the world market for rough (uncut) diamonds, reported record sales of US$2.543bn, a 42 per cent rise from the same months in 1992, but warned "it would be unwise to look upon the increased level of sales for the first half as a reliable guide to 1993 as a whole".

■ CSA: The troubled Czech national airline, will hold an extraordinary meeting today in an attempt to resolve a dispute with minority shareholders Air France and the European Bank for Reconstruction and Development. They claim they overpaid for their combined 40 per cent stake in the airline. The airline will make record losses this year and management changes are expected.

Montedison



Source: FT Graphite

■ United Airlines: On Wednesday the board of United Airlines, the biggest US carrier, meets again to consider the deal put together by management and unions, which entails workers taking a controlling stake in the airline in return for $5bn of labour concessions. The board first considered the plan last Thursday but sent it back for unspecified financial issues to be resolved. It is under heavy pressure to accept the hard-won agreement, but a fall in United's share price last Thursday suggested that the market saw it as a bad deal for shareholders. Hope over experience, Page 17

■ UK Companies: On Monday Eurotherm, the process control equipment supplier, is expected to report a strong profits improvement. On Tuesday, Wessex Water should show a solid performance in its diversified businesses. European Leisure, the debt-laden snooker hall and discotheque operator, will hold an EGM in Dublin on Tuesday to vote on financial restructuring.

Companies in this issue

COMPANIES AND FINANCE

LWT condemns Granada bid

By Raymond Snoddy

London Weekend Television yesterday condemned as "inadequate and opportunistic" the hostile offer from Granada worth more than £600m, and urged shareholders to reject it.

Sir Christopher Bland, the LWT chairman, said in a letter to shareholders that the offer from Granada, the rental, leisure and television group, requires them to exchange their holdings in "a highly regarded television company for shares in a conglomerate earning half its profits in a low growth sector".

The LWT chairman also said the cash alternative of 539p a share was too low, and acceptance of the share offer would result in a fall in dividend income for LWT shareholders.

In what is clearly the first salvo in a long campaign, LWT concentrated on its own track record and future prospects.

It emphasised that since December 1989 only four companies of the 811 in the FT-Actuaries All-Share Index had increased the value of their shares more than LWT. "By contrast Granada was the 247th best performer in the index in this period".

The document points out that £100 invested in both companies' shares on December 15 1989 would have returned, including dividend, £755 from LWT and £176 from Granada.

LWT was now the third largest ITV company in terms of share of net advertising revenue, whereas Granada fell from third to fifth place between 1982 to 1992.

"Granada may need LWT to make sense of its television business but LWT doesn't need Granada," said Sir Christopher.

The LWT chairman also promised shareholders a profit estimate and recommended dividend for 1993 in the new year. Analysts are suggesting pre-tax profits of around £36m compared with £30.6m last time.

Mr Gerry Robinson, chief executive of Granada, said yesterday the LWT board seemed to be confused: it admitted that scale was necessary in television, yet rejected the only logical combination in terms of advertising revenue, audience size, financial strength and licence payments.

"In the meantime Granada is offering a generous multiple of 32 times historic earnings or 27 times market estimates for the current year which reflects the high opinion that Granada has of LWT's business." Mr Robinson said.

Manders sells paint side for £55m

By Peter Pearse

In a sharp, sudden and, in the words of Mr Roy Amos, chairman, "emotional" change of strategic direction, Manders has sold its decorative paints division to Johnstone's Paints, a subsidiary of Total Oil Holdings of France, for £55m cash.

Last Thursday the Wolverhampton-based group announced that it had bought the printing inks and graphic supplies business of Croda International for £26.7m cash. Friday's sale will all but wipe out Manders' borrowings.

Mr Roger Akers, Manders chief executive, said in a statement that the recent rationalisation of the UK decorative paint industry [with the acquisition by Akzo, the Dutch group, of Crown] had limited the potential for growth in that part of the group's business.

There had also been consolidation within the printing inks industry, making it important for Manders to identify which market it should develop. The group would now "concentrate on speciality chemicals with an emphasis on printing inks".

With Akzo and ICI the two main forces in the UK decorative paints industry, Manders only had 7 per cent of the market. Kalon, which in June 1992 launched an unsuccessful £106m all-paper bid for Manders, has about 12 per cent. After yesterday's sale, Total will have about 15 per cent.

Mr Amos said that Johnstone's had undertaken to continue to manufacture paints at the Wolverhampton and Bingley factories for five years, though he conceded that there would be some rationalisation on the depot side.

Manders' decorative paints division, Mr Amos said, was set this year to make "a little more" than last time's £3.6m (£2.2m) operating profits, which gives a "good p/e of 20". Turnover last time was £53.5m (£37.4m) and the asset value is £20.5m.

Vestey's new management prepares finance changes

By Scheherazade Daneshkhu

The Vestey Group, one of the largest privately-owned companies in the UK, has appointed SG Warburg as adviser to help refinance the company.

Warburg is believed initially to be focusing on normalising financial arrangements between Union International, the indebted trading arm of the Vestey group, and Union's bankers.

It is understood that Union is about the come out of the standstill arranged with its bankers last year and that medium-term banking facilities will be established, allowing it to operate under normal trading conditions.

Peat Marwick, the accountant, is believed to be advising on ways of restructuring the group's debt while NM Rothschild, the merchant bank, has been called in by Mr Terry Robinson, chief executive of Union, to advise on floating part of its east Asian businesses on the stock markets in Australia and New Zealand.

The changes are part of a strategy being put in place by a new management comprising Sir John Collins, former chairman and chief executive of Shell, who was appointed chief executive of Vestey in September with effect from next month, and Mr Robert Cooper, former director and head of corporate finance at Robert Fleming, who has been appointed finance director.

Union has been reducing its net debt, now believed to be a little more than £100m. Earlier in the year, it reported it was operating profitably and that its net debt was down to £202m in the year to December 31 1992 from £337m 12 months earlier.

Cementone takeover details

By Tim Burt

Cementone, the specialist paint and building chemicals manufacturer, has announced details of its £9m reverse takeover of Multitrust, the property investment company.

As part of the transaction, the Buckingham-based group is offering 12.3m consideration shares at 73p. Mr Andrew Perloff, chairman of Multitrust, will retain 7.45m shares with the remainder placed with institutions.

The deal will give Mr Perloff a 33.9 per cent stake in the enlarged company.

Mr Alfred Baxendale, chief executive of Cementone, said the company was also planning to raise £4.6m through a placing of 6.29m new shares at 73p.

Meanwhile, a separate rights issue for 3.9m shares is proposed to raise a further £2.8m.

Income from the rights and placing will be used to reduce gearing and fund acquisitions in the paint and building chemicals industry.

The enlarged group also plans to generate £3.2m from the disposal of Multitrust's property portfolio. Once completed, the transaction is expected to value the company at £16m.

Pro-forma earnings per share were forecast yesterday at 4.5p, with a notional dividend of 2.5p.

Rebels fail to oust Fife directors

By David Blackwell

Rebel shareholders in Fife Indmar, the Scottish engineering and distribution company, have failed to topple the chairman.

At an extraordinary meeting in Edinburgh, shareholders defeated an attempt to oust Mr Gavin Hepburn, chairman, and Mr Michael Munro, director, and replace them with Mr Guido Crolla and Mr David Chassels.

The rebel shareholders had made allegations of costly acquisitions and poor financial management.

Mr Hepburn said he looked forward to getting on with running the business and continuing to serve the interests of shareholders.

Mr Crolla, who led the rebels and who retains a 2.5 per cent stake in the company, said: "The shareholders have voted and we accept their decision. We were fully justified in the actions we took and we hope that the outcome will be a better Fife Indmar and a better return for shareholders."

Mr Chassels said over 40 per cent of the shareholders who voted had backed the rebels. He urged the board to address the issue of corporate governance. "It is wrong that there should be only one independent director – the other board members are brothers, the financial adviser and the company secretary."

Wellcome in US Aids alliance

By Paul Abrahams

Wellcome, the pharmaceuticals group, has formed an alliance with Vertex Pharmaceuticals, the Massachusetts-based biotechnology group, to develop orally active protease inhibitors against Aids and HIV, the virus causing Aids.

The agreement is worth up to $42m (£28.1m) to the US group. Protease is an enzyme essential for HIV to replicate.

Wellcome will pay an initial $15m and provide research support and payments for agreed development milestones. In return, the group acquires the rights to develop, manufacture and market Vertex's HIV protease inhibitors in the US, Europe and other countries outside east Asia.

In April, Vertex signed an agreement with Kissei Pharmaceutical of Japan, to develop orally active drugs against HIV for the Chinese and Japanese markets. Under terms of the agreement, Kissei could pay Vertex up to $20m.

Other companies which are exploring the use of HIV protease inhibitors include the Du Pont-Merck joint venture, Upjohn, and Abbott of the US, and Roche of Switzerland. The Roche compound is probably furthest developed and has demonstrated some efficacy in humans.

Wellcome's move is part of a continuing strategy to forge links with biotechnology groups. In December last year it appointed Mr Mark Weedon to the newly-created post of group licensing director. The deal is one of the first results from the new US licensing team. A team has been set up in Japan, and further agreements are expected next year.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Aramco (Saudi Arabia)	Petron Corp (Philippines)	Oil	£336m	Bid for 40% stake
Corning (US)/Siecor (Germany/US)	Unit of Northern Telecom (Canada)	Fibre optics	£86m	Part of Corning realignment
Reuters (UK)	Teknekron Software Systems (US)	Computer services	£83m	Not assuming operational control
SCA (Sweden)/Minorco (Luxembourg)	Aylesford Newsprint (JV)	Paper	£66m	50/50 venture agreed
Gooding Consumer Electronics (UK)	Grundig Electronique (France)	Consumer electronics	£18.3m	Rescuing TV plant
Burmah Castrol (UK)	Unit of S C Johnson (Japan)	Lubricants	£12m	Cash deal
Bowthorpe (UK)	Kaye Instruments (US)	Measuring equipment	£11.5m	Conditional cash deal
Protean (UK)	Techne (US)	Laboratory equipment	£5.4m	Continuing expansion
EAO Holdings (Switzerland)	Highland Electronics (UK)	Electronics	£3.6m	Arlen group disposal
Reed Elsevier (UK/Netherlands)	Giuffre Editore (Italy)	Publishing	n/a	Taking 40% stake

NEWS DIGEST

Simon sells 50% stake in TR Oil

Simon Engineering has sold its 50 per cent stake in TR Oil Services, together with its associates, Arabian TR Oil Services, South East Asia TR Oil Services and Scandinavian Oil Field Chemicals, to its joint venture partner Hoechst for £6.15m cash.

In 1992, TR Oil had sales of £16.9m, pre-tax profits of £1.85m and net assets of £3.2m.

Scantronic

Scantronic Holdings, the electronic data communications group, is raising £1.18m net of expenses via a placing of 1.73m new ordinary shares at 69p apiece.

The proceeds will be used to finance the growth of Alarmexpress, the group's wholesale distributor of security products.

Associated Nursing

Associated Nursing Services has made a recommended offer worth £1.78m for the shares in Broadwater Homes it does not already own.

Broadwater is at present managed by ANS.

The offer of 192p per share for the outstanding 78.35 per cent values Broadwater at £2.39m.

Oriflame

Mr Jonas af Jochnick, the vice-chairman of Oriflame International, has sold 1.7m shares in the cosmetics and toiletries direct sales company at 322p per share. This reduced his stake to 10.24m shares, or 19.09 per cent of the equity.

Of the shares, 500,000 have been bought by Abacus (CI) who act as trustees to the Progress Settlement Trust, in which some members of the Jochnick family have a possible beneficial financial interest. The remaining 1.2m shares were placed with institutional clients of Panmure Gordon.

Shares suspended

Share dealings in Sime Darby were suspended on Friday at 154p at the company's request following suspension on the Kuala Lumpur stock exchange.

Dealings in the shares of Consolidated Plant were also suspended at the company's request at 69p.

SG Warburg

SG Warburg, the investment bank, is buying the Hagglof & Ponsbach equity research and broking arm of Gota Bank for an undisclosed sum. Warburg will integrate the business with its equity broking operation in Sweden.

هكذا من الأصل

IMI expects to float more than 40% of shares

By Haig Simonian in Milan

Mobiliare Italiano (IMI), the second big bank on the Italian government's privatisation list, expects to float more than 40 per cent of its shares, well above original expectations.

The higher total, which contrasts with earlier estimates that only up to 20 per cent of IMI's shares might be sold, suggests the Treasury could raise more than L2,500bn ($1.5bn), based on informal valuations.

Further details are likely after a special IMI board meeting on Wednesday to approve the draft prospectus for the flotation, due in February.

The pricing will not be revealed until next month, but IMI has already indicated its shares will be sold for between L9,800 and L11,000 each, with a one-for-10 bonus issue for domestic retail investors who hold the stock for three years.

By contrast with Credito Italiano, Italy's seventh biggest bank, which was privatised this month, the IMI deal will be targeted principally at institutional investors, especially abroad. IMI last week said between 60m and 120m shares would be sold to Italian retail investors, representing between 10 per cent and 20 per cent of its share capital.

According to one senior executive, the domestic retail tranche will represent only about half the shares to be privatised. This implies that the overall deal could involve up to 40 per cent of IMI's capital.

That would be a compromise between the original plan to float no more than 20 per cent of IMI, which specialises in long-term corporate lending and fund management, and later suggestions that the Treasury should dispose of its entire stake, rather than sell the shares in tranches.

The banker said the IMI deal might be brought forward slightly to enable the government to privatise Banca Commerciale Italiana, the big Milan based bank, before new general elections, expected in March.

BCI had been due to be sold in early April, but the Treasury's advisers have pressed for an acceleration to late February to avoid being overshadowed by the elections and to benefit from the bandwagon effect of privatisation after the Credito Italiano float. About 100,000 applications for Credito Italiano shares were turned down due to oversubscription.

The banker denied IMI might swap places with the better known BCI in the privatisation queue in order to maximise revenues for the Treasury. Any more than a marginal change in the schedule would cause uncertainty in international markets and could prove counter productive, he argued.

Skopbank to receive more state support

By Christopher Brown-Humes in Stockholm

Skopbank, the biggest casualty of Finland's banking crisis, is to receive a further FM350m ($60.5m) in state aid so that it continues to meet capital adequacy requirements.

The new injection means the bank has received FM17.03bn in government assistance since it was rescued by the Bank of Finland in September 1991.

The government guarantee fund, which has been responsible for Skopbank since June 1992, warned that the bank might need further support next year, even though its performance has improved substantially during 1993.

Credit losses are expected to be 40 per cent lower in 1993 than the FM2.8bn level struck last year. In the first eight months the group made a FM870m operating loss after credit losses reached FM885m.

Skopbank's role as the central bank of the Finnish savings banks has been reduced following the sale of the Savings Bank of Finland to four other banks.

A triumph of hope over experience

Richard Tomkins looks at the background to United Airlines' employee ownership deal

Is the USA in the grip of a workers' revolution? You might think so, to look at what is happening to its airlines. One by one, they are succumbing to employee ownership.

At the end of last week United Airlines, the biggest US carrier, and its labour unions agreed a deal which – if ratified by shareholders and union members – will give employees up to 63 per cent of the company's shares in return for $5bn worth of savings in labour costs.

It is the most spectacular so far in a series of similar deals. Earlier this year Trans World Airlines agreed to give employees 45 per cent of its shares in return for $660m worth of labour cost savings, and Northwest Airlines agreed a plan giving employees up to 37.5 per cent of the company's equity in return for $886m worth of concessions.

Nor is the United deal unlikely to be the last. Mr Robert Crandall, chairman and chief executive of American Airlines, the second biggest US carrier, has already said he would welcome a share ownership proposal from his employees. Delta Air Lines and USAir may not be far behind.

The simple explanation for this phenomenon is the big airlines' desperate need to cut costs. Smaller carriers like Southwest Airlines are transforming domestic air travel in the US into a no-frills commodity business in which only the lowest-cost carriers can compete.

The big airlines have been fighting back by trying to cut their labour costs, which represent their biggest single operating expense.

Thousands of jobs have already gone: now the carriers want to cut remaining employees' pay and make them work harder by changing working practices.

Not surprisingly, employees are unenthusiastic about the prospect and their heavily-unionised status gives them the power to resist attempts to impose changes unilaterally – as demonstrated by last month's strike by American Airlines' flight attendants.

Carriers are therefore trying to buy employees' compliance by offering them equity stakes in their companies equal to the net present value of the savings expected to flow from their sacrifices.

Even then, it is not proving easy. Northwest only reached agreement with its unions when it was on the brink of bankruptcy. TWA was already bankrupt, and only won a deal because it formed part of a "do-or-die" rescue plan.

United looks different: it is nowhere near bankruptcy, yet has won what appear to be vast concessions from its unions. In return, however, it has had to yield so many shares to its employees that they will effectively control the company.

Will the result be drastic changes at United? One early consequence is that Mr Stephen Wolf, the company's 52-year-old chairman and chief executive, is likely to step aside.

Mr Wolf has already hinted at his desire to move on when the deal is done, and the unions want to replace him with 58-year-old Mr Gerald Greenwald, a former vice-chairman of Chrysler.

In other respects, however, much the same management will go on running the company in much the same way.

The employee representatives will have the power to veto decisions on extraordinary matters such as big acquisitions or disposals. However, as with Northwest and TWA, they will have only two or three seats out of 12 or 13 on the board, so they will not be in a position to dictate corporate strategy.

Rather, the intended effect is more subtle. As with other employee share ownership plans, the management's hope is that employees who have tied up a sizeable piece of their net worth in the business will be more inclined to drop confrontational attitudes and work harder for the company's success.

At TWA, for example, flight crews have been giving up their spare time to take part in promotional tours for the airline around US travel agencies.

Yet the idea seems a triumph of hope over experience. Largely as a result of a boom in employee share ownership plans during the 1980s, about 10,000 US companies are partly owned by their employees. It has yet to be conclusively shown, however, that companies that have employee ownership perform better than those that do not.

Significantly, the US airline industry has been here before. In the mid-1980s, when the industry faced similar troubles, employees acquired 9 per cent of Continental Airlines, 11 per cent of Trans World Airlines, 13 per cent of Pan American World Airways, 15 per cent of Republic Airlines, 15 per cent of Pacific Southwest Airlines, 25 per cent of Eastern Airlines and 33 per cent of Western Airlines – in all cases trading wage concessions for equity. They also acquired substantial shareholdings in People Express and America West.

Ominously, it did not appear to help: all nine companies went bankrupt or succumbed to takeovers. If United's plan is to prove revolutionary, it will have to do better than that.

Largest US companies with employee share ownership plans

(By market value)

Company	% of shares held in Esops
Procter & Gamble	13
Atlantic Richfield	10
Phillips Petroleum	24
Allied Signal	16
Lockheed	19
Ashland Oil	23
Textron	20
Colgate Palmolive	10
Boise Cascade	15
Avis	96
FMC	25
Corning	12
Diamond Shamrock	13
Stanley Works	28
Polaroid	20

Source: The Esop Association

Partial privatisation for Malaysian utility

By Kieran Cooke in Kuala Lumpur

The electricity supply company in the East Malaysia state of Sarawak is to be partially privatised through a reverse takeover of Dunlop Estates (DEB), formerly a unit of the UK's Dunlop Malayan Estates.

The Sarawak Electricity Supply Co (Sesco) is the sole provider of electricity in Sarawak, one of Malaysia's biggest and most resource-rich states.

In one of the biggest deals undertaken in Malaysia, 45 per cent of Sesco, at present fully owned by the Sarawak state government, will be sold to DEB for some M$750m (US$294m). At the same time Sesco will acquire a 60 per cent stake in DEB for nearly M$1.5bn.

The deal forms part of a wide-ranging privatisation programme.

Analysts say that by reversing into DEB, Sesco will gain access to stock market funds, enabling it to expand and participate in several big infrastructure projects planned in Sarawak. The most prominent of these is a proposed M$30bn hydroelectric project along Sarawak's Rajang river, which will be capable of producing 2,500MW by the year 2005.

Dunlop was acquired from Dunlop Malayan Estates by the Malaysian Multi-Purpose group of companies in 1981. Since DEB sold its plantations in 1990 its main focus has been on gaming operations – held through its controlling interest in Magnum Corporation, the operator of Malaysia's largest and most profitable lottery.

In a corporate restructuring announced in November, DEB said it intended to sell its 52 per cent interest in Magnum to DEB's existing shareholders. The transaction will raise an estimated M$1.04bn, part of which will be used to complete the Sesco deal.

Analysts say that though the government in Sarawak will still control Sesco, DEB will be able to exercise considerable influence on the way the utility develops.

DEB and the Multi-Purpose group are part of the business empire of Mr Lim Thian Kiat, who at 34 is often described as Malaysia's youngest tycoon. Multi-Purpose's activities include banking and other financial services, property development and a small shipping fleet.

Bad debt provisions hit net result at GiroCredit

By Patrick Blum in Vienna

GiroCredit, the Austrian investment bank and clearing institution for the savings bank sector, expects a sharp rise in operating profits this year but net profits will be hit by bad-debt provisions.

On the basis of results in the first 11 months, GiroCredit expects operating profits for the whole year to be around Sch2bn ($168m), compared with Sch1.3bn in 1992. But the bank will have to make provisions of Sch1.4bn to cover bad debts and costs related to the purchase of OCI, a small savings bank, in 1992. No dividend will be paid for 1993.

After a supervisory board meeting on Friday, Mr Hanz Haumer, chairman, said he hoped 1993 would be the last year the bank has to draw on its hidden reserves to cover debts.

Next year, GiroCredit is expected to start to benefit from a Sch3bn package of measures, approved by shareholders in November, designed to cut costs and increase revenues over a three-year period.

Mr Haumer was also optimistic that a solution would be found in the next few weeks for the long-awaited reorganisation of the savings bank sector with a new ownership structure for GiroCredit.

Schimmelbusch's downfall

Continued from Page 15

chief executive. But investigations continued and the original assessment had to be revised.

As Mr Neukirchen, fabled in Germany for undertaking the savage restructuring of the FAG Kugelfischer ball-bearing group, puts his feet under Mr Schimmelbusch's desk this morning, at least two questions remain unanswered.

The first is straightforward: how big is the hole at MG Corp? The big banks have hinted that further equity will have to be pumped into Metallgesellschaft and that the group's pre-tax losses for the year to September will have to be revised from the provisional DM347m reported last month.

The second is more far-reaching: what implications will the case have for German corporate governance? Under the German system, poor management is not corrected by the fear of takeover, but by the actions of the supervisory board. How well did the Metallgesellschaft supervisory board supervise Mr Schimmelbusch?

Friday's statement said Mr Schimmelbusch was ousted because he failed to keep the supervisory board informed about developments in the US, which might have been in breach of German corporate law. The board – headed by Mr Ronaldo Schmitz of the Deutsche Bank – will no doubt claim to have acted swiftly in ejecting Mr Schimmelbusch once the scope of MG Corp's plight became clear.

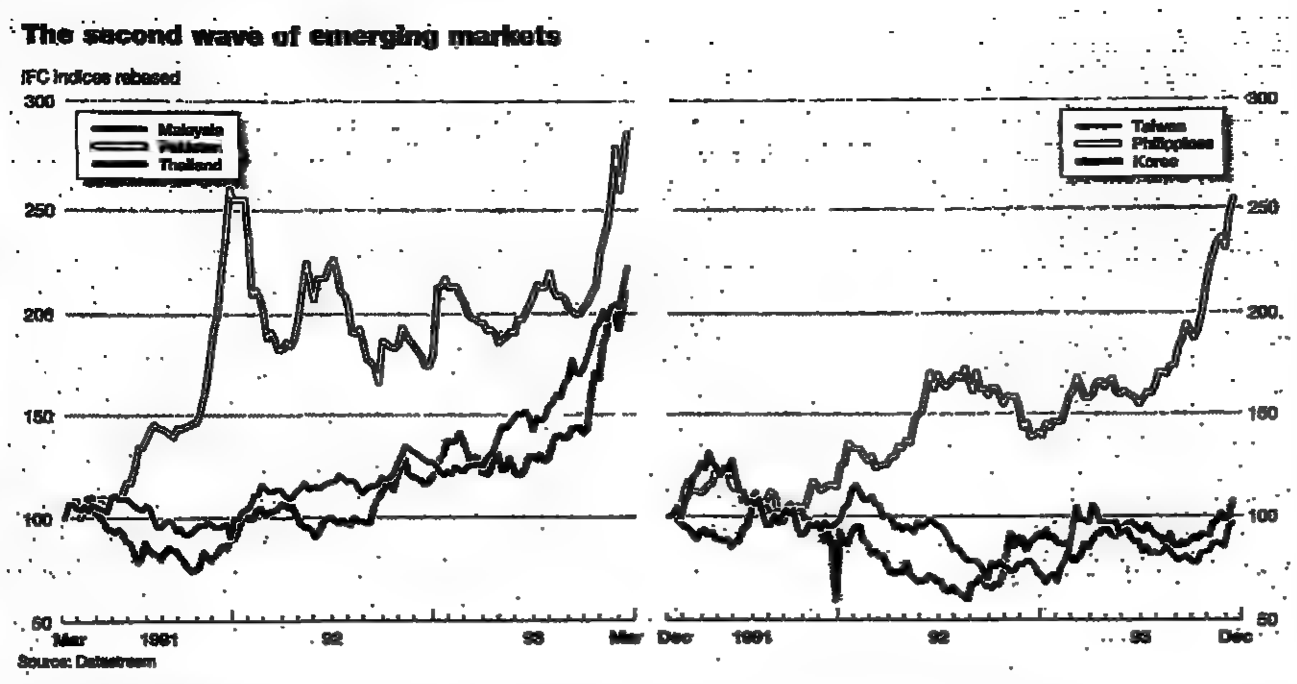
But the big German banks are particularly close to Metallgesellschaft as shareholders, creditors, providers of financial services and as board directors. Given this degree of closeness, it is surprising they did not identify Mr Schimmelbusch's weaknesses earlier.

The Markets

THIS WEEK

Global Investor / Peter Martin

Information could end emerging class



Is the continuing rise in emerging stock markets, shown in the chart, the last gasp of a style of investing that has had its day?

This question is raised by a piece of futurology from Cornelia Small, director of equity research at Scudder, the New York fund manager. She argues in a paper rather grandly titled "A Kaleidoscopic View of the 21st Century" that the information revolution will be the dominating theme of the decades ahead.

Stifle that yawn! The interesting bit of the argument is its application to conventional country-based portfolio construction.

"The revolution is redefining industrial boundaries," she says, "and these industrial redefinitions are taking place across national borders, frequently despite national borders."

Because an information age country lets free markets work, the role of its government is reduced, weakening one of the strongest sources of country identity. Even nations that linger in the old-fashioned industrial age lose some of their "countryness".

The information revolution undermines a country's ability to pursue independent economic policies, strengthens the relative power of global companies, threatens the comparative advantage of mature countries, and weakens national cultures.

As capital becomes mobile, differences between capital markets diminish. "The investment characteristics of these markets will reflect more what's going on in the global market than in the local economy."

Emerging countries, in particular, will divide into two classes: those that make the leap to advanced industrialisation, and those that stay as emergers, never quite making the breakthrough.

The first category are the ones that possess investment interest, but they will no longer constitute a separate asset class. Instead, investors will have to focus, as in mature economies, on those emerging-market companies that are best placed to compete globally.

For the same reason, she says, indexing will no longer be an attractive strategy, nor will investment styles based on timing the domestic business cycle, which will be swamped by the structural transition in the global economy.

Do we believe her?

You do not have to buy the whole vision to notice a peculiar fact about the charts at the top of the page. The markets which contain the global companies of the future – South Korea and Taiwan – have gone precisely nowhere over the past three years. The markets which have the biggest percentage rises, including Pakistan, the Philippines, Malaysia, Thailand, are those where foreign investors have bought the country story.

Moral: economies where the Small effect is starting to work and companies are joining the global market require more careful stock-picking. Country-based investing is not dead, though, in economies which are still a step or two behind.

Perhaps Gatt, which strengthens the integration of the global market, and places greater exporting power in the hands of aggressive developing-country companies, will intensify the Small effect. It will not triumph, though, as long as investors treat a company's nationality as its most important characteristic. They will persist in that approach while it offers returns like the ones shown in the left-hand chart.

■ Export or die

Gatt will strengthen the hands of mid-sized companies everywhere, argues Morgan Stanley's David Roche. They will no longer need the army of lawyers and the government backing previously necessary to do business overseas. And their interests will be better protected by the general strengthening of commercial disciplines, most noticeable in such areas as intellectual property.

In fact, the opening up of overseas markets to mid-sized companies is one of the unnoticed trends of the past decade. Arguably, it is due as much to the growth of support services and new technology – fax machines, cross-border toll-free telephone lines, pan-continental advertising, English as a lingua franca, easy availability of currency hedging, the growth of third-party logistics suppliers such as couriers and maintenance companies – as it is to any change in trade regulations.

Whatever the reason, though, two investment implications spring to mind. First, potential growth companies can be found among businesses turning themselves from small-scale domestic producers into global niche operators (and among their service suppliers). Second, overseas exposure, already an important feature of the top end of most stock markets, is spreading slowly down the size range. The habit, ingrained in many markets, of thinking of mid-sized companies as purely domestic plays may have to change.

■ Leaner, meaner

One of the big stories of the next year will be the extent to which restructuring pays off for big German companies. Last week saw Daimler-Benz's renegotiation of labour costs at its Rastatt plant and Metallgesellschaft's hiring of a renowned cost-cutter as its replacement boss.

There is a lot of scope for squeezing. A study of big German companies by Smith New Court, the London investment bank, points out that average labour costs per Daimler-Benz employee, for example, rose from DM 64,000 to DM 83,600 (£33,000) between 1987 and 1992, a compound annual rate of 5.5 per cent.

This was partly due to acquisitions, but it is still a fearful figure, especially as the German labour force works the shortest hours in Europe.

The recent performance of the Dax, which is still hovering around its all-time high, suggests that investors believe the restructuring is well advanced, and profits are moving back towards their 1989 peaks. Experience in the US and Britain suggests that this phenomenon is likely to be more patchy, and more delayed, than investors expect.

■ Reforming Italy

Italy's parliament should finish approving the 1994 budget this week, an essential element in the reform process which has taken the task of economic adjustment out of the hands of the old political establishment.

The more unsettling thought is that approval of the budget paves the way for elections due by March. The elections themselves are part of Italy's shift, as Mr Franco Bernabe, newly appointed chairman of Eni, the state energy company, put it last week, from a Ptolemaic world to a Copernican one.

He meant, I think, that the intellectual revolution the country is undergoing is as great as that which accompanied the discovery that the earth went round the sun.

In the long run, such revolutions are healthy. In the short run, they may prove alarming. Still, Mr Bernabe, an economist, takes comfort in the thought that public opinion is "moderate, committed to free trade and the free market," and that the demolition of pay indexation has broken the wage-price spiral.

He has one other optimistic thought. Though Italy's equity market remains underdeveloped, there has been a switch by savers out of bank deposit accounts and into government bonds over the past 15 years.

"For a farmer in Tuscany or a shopkeeper in Naples to buy a treasury bill is a sophisticated financial decision," he says. Now that interest rates are falling, these investors will become a ready market for equities in privatised companies. Too ready, if anything. There could be a recurrence of the 1987 phenomenon, when retail investors made a small portfolio shift towards equities and flooded the market with money, driving up prices to unsustainable levels.

Let us face that problem when we come to it.

Total return in local currency to 16/12/93

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.06	0.05	0.12	0.13	0.16	0.11
Month	0.26	0.21	0.58	0.57	0.75	0.48
Year	4.06	3.63	8.00	9.56	13.56	5.81
Bonds 3-5 year						
Week	-0.27	-0.17	-0.62	0.09	0.54	0.09
Month	-0.12	1.54	0.75	[illegible]	1.70	2.12
Year	9.67	11.38	13.61	[illegible]	27.94	14.50
Bonds 7-10 year						
Week	-0.94	-0.08	0.05	[illegible]	0.67	0.70
Month	-0.65	2.72	1.13	[illegible]	2.52	3.62
Year	13.63	15.31	17.74	24.51	38.60	22.24
Equities						
Week	-0.2	2.2	-1.9	-1.5	2.1	1.4
Month	-0.6	5.1	2.8	2.8	12.9	7.2
Year	10.0	19.5	45.5	33.1	82.0	27.9

Best performing stocks from FT-A World Indices in local currency to 16/12/93

	Close	% change Week	Month	Year
Consolidated Plantations	4.42 [illegible]	87.3	63.7	104.6
Chinese Estates	9.95 [illegible]	[illegible]	82.8	221.0
United Industrial Corp	1.47 [illegible]	[illegible]	34.9	47.0
[illegible] Holdings	4.60 [illegible]	[illegible]	35.3	162.9
Asahi Optical	420 [illegible]	22.4	12.6	20.7
Sino Land	9.40 [illegible]	22.1	26.2	127.9
Alps Electric	[illegible]	21.7	9.0	20.2
Sime Darby	7.45 [illegible]	21.3	39.3	87.3
[illegible]	65.50 [illegible]	20.2	45.6	129.2
[illegible]	[illegible]	19.9	35.2	476.7

[illegible]

Economic Eye / Edward Balls

Delayed effects of Japan's demographic time-bomb

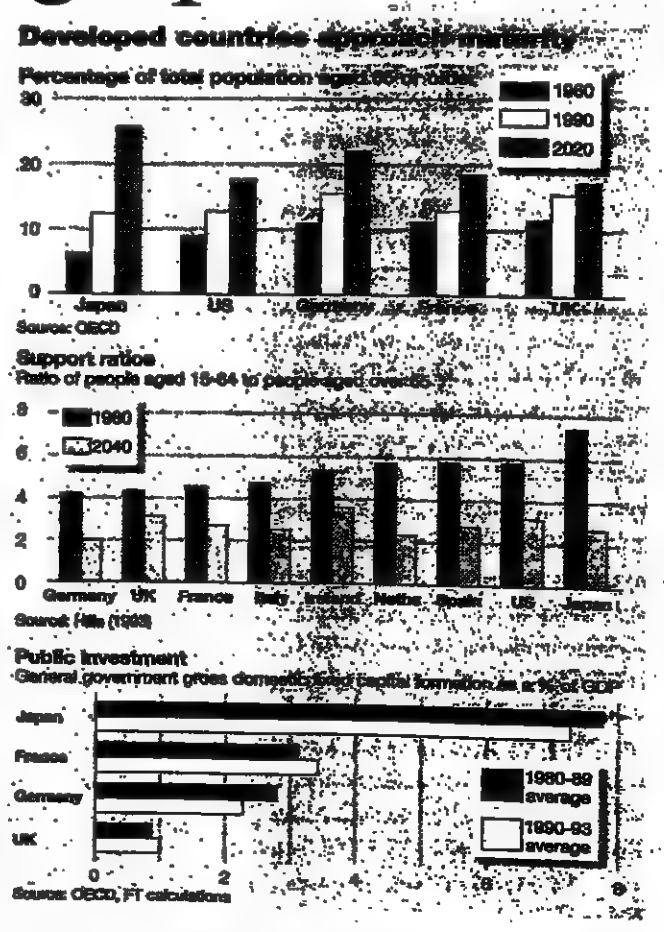
At last the Japanese economic establishment is starting to see sense. Over the past year, the economy has been sinking steadily under a mountain of property-related bad debts. But Japan's stifling consensus has stuck to the line that direct public action to bail-out the troubled banks was not an option, while the the banks' own under-capitalised loan-buying agency has removed only a small portion of non-performing loans from their balance sheets.

In recent weeks, this consensus has started to shift. Late last year, Keidanren officials appeared strongly opposed to any injection of public funds to re-capitalise the banks. But last week, Mr Gaishi Hiraiwa, chairman of the Keidanren, the leading business federation, called for public funds be used to buy land to stimulate the property market and allow the banks to sell the collateral on non-performing loans.

It is easy to see why increasingly worried business leaders are looking for new solutions. For Japan's deepening recession is taking on more of the characteristics of a credit-constrained crunch. Large companies, who over-invested in the late 1980s, have less reason to be worried by the banks' caution. But the Bank of Japan's Tankan survey of business opinion does show that companies find it harder to borrow than usual while the broad measure of the money supply is still barely growing.

Meanwhile the OECD's annual report on the Japanese economy, which does not usually stray too far from the Ministry of Finance view of the world, acknowledged that small- and medium-sized businesses were experiencing difficulties in obtaining new finance from the troubled, while mysteriously noting that "so far, there has been no direct injection of public funds into the banking sector."

But direct purchases of land by the state would not be the OECD's preferred approach – cheap Bank of Japan loans to the loan-buying agency would achieve the same result without artificially boosting land prices.



Yet there is another reason why direct support for the financial sector is back on the agenda. For, while interest rate cuts have had little perceptible effect on activity, the Japanese Ministry of Finance has come to the conclusion that they have gone as far as it dare with fiscal expansion.

The coalition government remains under pressure, both domestically and from the US, to announce a fourth, tax-cutting, package. But the Ministry of Finance is putting its foot down.

Once again, the OECD report provides a good guide to the likely shape of the Ministry of Finance's case. By digging beneath the surface of the government's complex public accounts, the OECD has discovered that Japan's fiscal condition is not quite as healthy as it may seem.

Digging part of the way seems to suggest that Japan's fiscal position is actually better than the Ministry of Finance likes to admit. Yes, Japan has a large central government deficit and a high ratio of government debt to gross national product by international standards.

But the general government budget, which including the proceeds of social security taxes which are mysteriously excluded from the central government budget, reveals a rather small deficit for a recession-locked economy of 1 per cent of GNP this year.

Adding the assets of the social security fund produces a tiny net general government debt ratio of just 4 per cent of GNP.

But, says the OECD, dig further. First, social security contributions account for only 20 per cent of the proceeds into the social security fund – the bulk comes from post office savings, life assurance and government guaranteed bonds.

But these should be counted as public sector borrowing – adding them to the general government account produces a public sector borrowing requirement of 4.6 per cent of GNP in 1992. Second, a significant portion of the social security funds are invested – via the off-budget Fiscal Investment Loan Programme – in public sector infrastructure projects as well as private projects. This helps explain Japan's high share of public investment in GNP compared to other European countries, especially Britain.

But FILP investments in public projects should not be included as net public sector assets. Excluding them raises the net public sector debt ratio to 24 per cent of GNP, still lower than the OECD average of 35 per cent.

But it is Japanese demographics which transform what still seems a rather healthy picture. Japan has a relatively young population which is ageing fast, the direct opposite of Britain, as the chart shows.

The result is that a dwindling band of Japanese tax-payers will have to support an increasingly old population. By 2040, only Germany among the large developed countries will have a lower ratio of working-age to retired people. The UK, by contrast, shifts from having one of the lowest to the highest support ratio.

It is these demographic trends which enabled London School of Economics professor John Hills to argue convincingly, in his recent Joseph Rowntree Foundation report, that that the current level of British welfare spending is not threatened by the fabled demographic time-bomb. He estimates that even if UK pensions are linked to earning, rather than prices as at present, UK spending would rise by only 5 percentage points of GDP over the next 40 years.

For Japan, the opposite conclusion applies. Japan currently has a lower share of public spending in GNP than the UK – a little over 30 per cent compared to 45 per cent in Britain. But, according to previous OECD estimates, for Japan to maintain current benefit provision will mean a 30 per cent rise in the ratio of non-interest spending to GNP. No wonder the Ministry of Finance is nervous about more fiscal activism, and perhaps also increasingly willing to consider other options to revive the economy.

هكذا من الاصل

EMERGING MARKETS: This Week

The Emerging Investor / Stefan Wagstyl

Striking not celebrating in Bombay

Instead of celebrating the longest stock market rally in 18 months, Bombay stockbrokers went on strike from Tuesday of last week.

They declined to carry out a single order, and stayed away from their newly-renovated trading floor.

The brokers' action followed a six week price surge in which the Bombay Stock Exchange's leading index soared by nearly 30 per cent, largely due to a rapid increase in foreign portfolio investment. Foreign fund managers wanted to buy more stock this week; but they were left cooling their heels while the brokers pursued a long-running dispute with the Securities and Exchange Board of India (SEBI), the market's watchdog.

The strike could be settled in a day or two.

Nevertheless, it will be remembered as a sign of the practical difficulties of investing in emerging markets.

Even in India, where the capital markets are better established than in most other developing countries, stock market practice is different from that in the industrialised world. The modernisation of India's financial markets, an integral part of the government's economic reforms, still has some way to go.

However, the events of the last week are unlikely to stem the tide of international interest in Indian markets.

Foreign financial investment has risen from only $3m (£2m) in March and $20m in June to more than $300m in the past seven weeks, helping prices to stage their biggest rally since the Rs40bn ($1.27bn) securities scandal erupted 18 months ago and sent investors running.

Foreign fund managers began studying India seriously after the authorities lifted a long-standing ban on foreign stock market investment late last year. About 115 institutions have now been authorised, including companies based in the US, the UK, Switzerland and Hong Kong.

As well as investing money from existing funds, managers have launched five Indian country funds. The largest is a $150m offering from Foreign & Colonial, the British investment house.

Foreign investors have also been buying Indian equity and bond offerings on the international markets. Twelve Indian companies have raised $1.15bn since the government permitted them to tap the Euromarkets in early 1992, and 30 other groups plan to raise up to a further $3bn in the next year. The issues have been so popular that one recent offering – a $75m convertible bond issue from Gujarat Ambuja Cement, a leading cement maker – attracted bids worth $1bn.

Even after the recent flood of money, foreigners own only about 1 per cent of the Indian market, which has a total capitalisation of about $70bn.

Ten best performing stocks

Stock	Country	Friday close	Week on week change $	Week on week change %
China Trust	Taiwan	2.16	0.63	41.09
China Airlines	Taiwan	2.67	0.67	33.83
Eczacibasi Yatirim	Turkey	0.63	0.16	33.09
Int. Commercial Bank	Taiwan	2.54	0.56	28.44
United Microelectronics	Taiwan	3.01	0.66	28.06
Int. Bills Finance	Taiwan	2.03	0.44	27.83
Tatung	Taiwan	2.07	0.44	27.21
Tjiwi Kimia	Indonesia	2.26	0.47	26.04
Med. Business Bank of Hsin Chu	Taiwan	6.27	1.28	25.68
Yung Tay Engineering	Taiwan	5.45	1.09	24.96

Source: Baring Securities

Mr Pradip Shah, managing director of Credit Rating Information Services, a Bombay-based research company, says: "For foreign financial institutions, this is a strategic investment. They want to diversify. They already have China and China-related stocks in their portfolios. They have invested in South East Asia and in South America. Now they are looking at India."

The Indian economy's size appeals to foreign investors, as does the fact that economic reform started only two years ago, so its benefits are still to come.

Liberalisation is taking place against a background of solid, if unspectacular, economic growth of between 4.5 and 5 per cent a year, due primarily to a succession of good harvests and a spurt in exports.

After two years of stagnation, industry is seeing the first signs of recovery. Profits are growing, with a 25 per cent increase posted by the top 725 companies in the six months to the end of September.

India offers foreign fund managers a more congenial environment than some other developing countries, although lax regulation has permitted unscrupulous brokers to take advantage of unwary clients, and price manipulation is hard to control in a market in which about 80 per cent of transactions are completed in an untransparent forward market called badla.

But SEBI is now tackling these shortcomings very aggressively. Indeed, the brokers' strike was triggered by a SEBI move to liquidate positions in the badla market.

India also suffers from some important handicaps in the race for international investments.

First, as in most developing counties, there is the risk of instability.

Next, reforms are unlikely to come at a rapid pace. The Indian economy is also growing modestly in comparison with some other developing nations, particularly China.

When the strike ends, brokers expect prices to fall as speculative investments are liquidated.

But after that, continued foreign investment could support further price increases. Mr Navinder Sahni, manager of the Bombay office of Marlin Partners, a Hong Kong based broker, says: "We can expect a correction, but further gains next year."

Foreign fund managers are becoming increasingly careful about valuing individual stocks. At the top, leading blue chips, including affiliates of multinationals such as Hindustan Lever, a part of Unilever, the Anglo-Dutch conglomerate, trade on price-earnings ratios of up to 45. They are highly valued because they are well known and well managed and trading is reasonably liquid.

However, India has about 1,300 other actively traded stocks out of a total of 7,000 listed companies. Many of these change hands at multiples of below 10. It is here where some foreign fund managers hope to find long-term value. As Mr Sahni says: "It's wrong to say that the Bombay market as a whole is overvalued. As foreign investors become familiar with India they will redeploy their funds into the smaller companies."

News round-up

Taiwan

A record amount of foreign buying in the fortnight to last Thursday helped to fuel the bull run which has taken the Taiwan market up 28 per cent since the ruling Nationalist Party's victory in local government elections on November 27.

Net foreign buying totalled T$10.2bn between December 1 and 16, compared with a total of T$36bn so far this year and T$8.2bn in all of 1992, the Taipei exchange reported.

Mexico

Foreign investors have ploughed $8bn into Mexican stocks in the year to date, partially as a result of the volume of new offerings this year, the Mexican Securities and Exchange Commission has reported.

Brazil

Brazil's National Privatisation Commission has drawn up a list of 36 state-controlled companies that could be privatised in 1994. Thirty-two of the companies have been given preliminary sale dates and are expected to raise about $5bn.

● Morgan Stanley has reduced the weighting of Brazil from 29 per cent to 25 per cent in its Latin American model portfolio and used those funds to increase the level of cash holdings.

New York

Mr Nicolas Rohatyn, chairman of the Emerging Markets Traders Association, forecast at the annual meeting that the world's emerging markets will be driven in 1994 by continuing growth in trading volumes, participation by more investors, increased activity in markets outside Latin America and greater trading of local instruments and equities.

Kenya

In an effort to improve its standing with western donors, Kenya is abolishing all foreign currency controls.

One result is that non-resident shareholders will be able to receive interim dividends without delays.

China

China's stock investors will face a 20 per cent tax on their capital gains next year but details of how the charge will be applied are still being worked out, the Securities Market Weekly has reported.

● Beijing is to start phasing out money it issues to foreigners from next year as part of a wide-ranging currency reform that includes unifying different exchange rates. The Beijing Review said Foreign Exchange Certificates (FECs) would be gradually phased out from next year.

Bulgaria

Bulgaria plans to cancel contracts with foreign firms hired to consult on its troubled privatisation programme, accusing them of wrecking the scheme.

Ms Reneta Indjova, head of the privatisation agency, was quoted as saying that foreign consultants had upset negotiations and their insistence on transparency was damaging.

Thailand

Thailand's Securities and Exchange Commission is to fine a number of Taiwanese and Thai individuals for acquiring 40 per cent of a hospital group, Vitacor, as a group and without reporting it to the SEC. The SEC said that the group now holds 3,050,400 shares or 40.67 per cent of Vitacor. The shares has been suspended since September 27.

● Further coverage of emerging markets appears daily on the World Stock Markets page.

Baring securities emerging markets Indices

Index	17/12/93	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (239)	155.47	+3.89	+2.43	+12.20	+8.51	+54.42	+53.85
Latin America							
Argentina (19)	101.60	-3.18	-3.03	-2.49	-2.40	+27.34	+36.82
Brazil (18)	131.70	+0.73	+0.56	-5.59	-4.07	+83.79	+69.04
Chile (12)	138.85	+10.44	+8.13	+10.25	+7.97	+27.56	+24.78
Mexico (22)	151.18	+2.24	+1.51	+17.29	+12.92	+33.44	+28.40
Latin America (71)	138.65	+0.65	+0.47	+7.10	+5.39	+38.29	+38.15
Europe							
Greece (14)	84.51	-0.45	-0.53	+5.81	+7.38	+14.36	+20.46
Portugal (13)	112.35	-0.38	-0.33	-0.77	-0.68	+28.34	+33.73
Turkey (22)	152.66	+11.05	+7.80	+22.91	+17.66	+98.79	+183.40
Europe (49)	110.91	+2.06	+1.89	+6.85	+6.58	+40.79	+58.17
Asia							
Indonesia (17)	163.57	+8.20	+5.26	+3.50	+2.18	+66.12	+67.60
Korea (23)	110.86	+2.80	+2.59	+15.54	+16.30	+22.24	+25.10
Malaysia (21)	232.90	+6.68	+2.95	+24.78	+11.90	+103.87	+80.50
Philippines (9)	259.05	+9.83	+3.94	+33.21	+14.71	+136.57	+111.52
Thailand (20)	242.55	-1.66	-0.68	+16.19	+7.15	+120.30	+98.40
Taiwan (29)	127.69	+21.11	+19.81	+30.81	+31.81	+51.73	+66.11
Asia (119)	201.03	+8.12	+4.21	+23.15	+13.01	+88.44	+78.55

All indices in $ terms, January 7th 1992=100. Source: Barings Securities

CURRENCY MARKETS — Conner Middelmann

Bands returning to a tighter tune

Slowly but surely, most currencies in Europe's exchange rate mechanism have crept back into the fluctuation bands they were forced to abandon when the system blew up last August.

With stage two of the Maastricht Treaty on European economic and monetary union about to start, some observers have been considering a return to narrower bands.

"A move to 2.25 per cent bands may not be immediate, but certainly 15 per cent bands look increasingly unnecessary," said Mr Nigel Richardson, international economist at Yamaichi International.

When the fluctuation ranges for all ERM currencies except the Dutch guilder and the D-Mark were widened to 15 per cent on August 2, many member countries stated their intention to return to the 2.25 per cent bands as soon as possible.

Initially most currencies plunged against the D-Mark. Germany's neighbours were expected to take advantage of the wider bands to slash interest rates to kick-start their economies, while Germany needed to maintain a tight monetary stance to combat inflation pressures arising from unification.

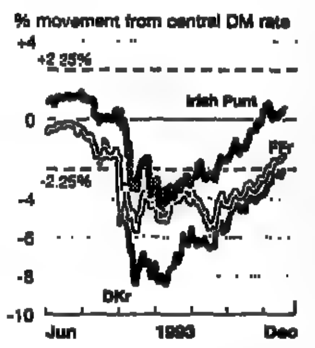
Rather than adopt the cut-and-run approach, however, many countries preferred to shadow the Bundesbank, which has steadily lowered interest rates since the ERM revamp. "There is now a symmetry of policy needs in Europe, where Germany requires lower rates as much as other members of the ERM," Mr Richardson said.

Core European and southern currencies moved back within or close to their former bands. The Danish krone is just below its former 2.25 per cent band, the French and Belgian francs recently re-entered theirs, and the Irish punt, recently the strongest currency in the EMS, is trading above its central rate. Meanwhile, the Spanish peseta and Portuguese escudo are back in their 6 per cent range.

However, after getting their fingers burnt Europe's policy makers will think twice about returning to narrow bands. Wide bands offer countries more monetary flexibility and a tighter exchange rate regime would be an easy target for speculators intent on testing the authorities' resolve to defend the bands.

Last month, Bundesbank President Hans Tietmeyer argued against hasty moves towards EMU. Given the present environment and the need for rebuilding the credibility of the system, such a move would be premature and counter-productive, he warned.

ERM stabilises



Source: Datastream

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday December 17, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	2269.20	1535.35	900.374	1393.73
Albania	(Lek)	163.645	109.688	64.4424	99.7534
Algeria	(Dinar)	35.7608	23.9844	14.0682	21.7721
Andorra	(Fr Fr)	8.6800	5.8260	3.4178	5.2907
Gambia	(Dalasi)	12.5118	8.3915	4.921	7.6175
Germany	(D-Mark)	2.5425	1.7062	1	1.5479
Ghana	(Cedi)	1146.92	769.229	451.089	698.277
Gibraltar	(Gib £)	1.00	0.6706	0.3933	0.6088
Greece	(Drachma)	364.90	244.735	143.52	222.161
Pakistan	(Pak. Rupee)	44.7691	30.0266	17.6161	27.2666
Panama	(Balboa)	1.4910	1	0.5864	0.9077
Papua New Guinea	(Kina)	1.5200	1.0194	0.5978	0.9254
Paraguay	(Guarani)	2078.12	1796.19	1053.34	1630.61
Peru	(New Sol)	3.2173	2.1578	1.2654	1.9587
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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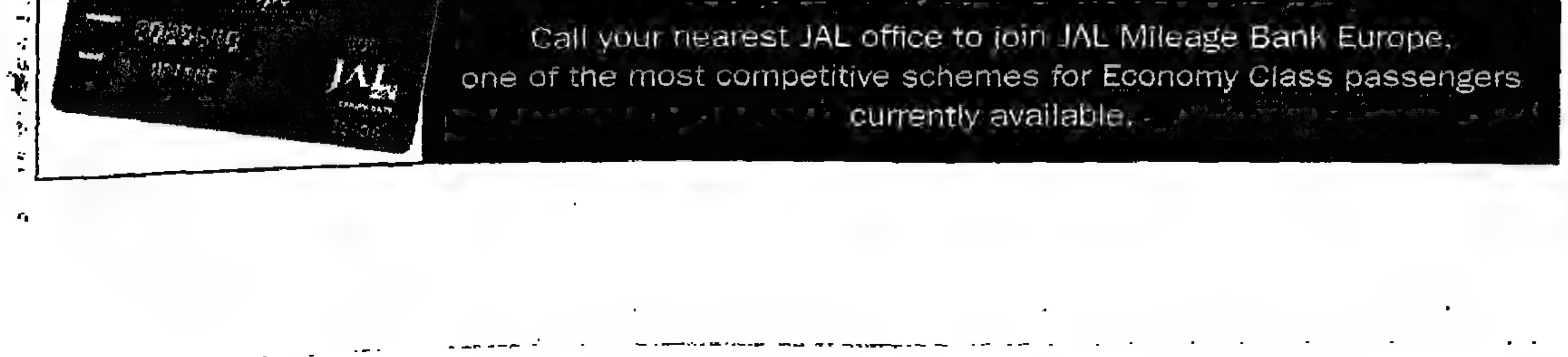


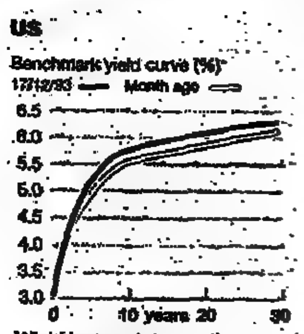
WORLD BOND MARKETS: This Week

NEW YORK — Martin Dickson

All eyes will be on the Federal Reserve's policy-making Open Market Committee's regular meeting tomorrow, amid mounting speculation on how long it will be before it starts to tighten monetary policy.

Wall Street does not expect the Fed to tighten at this meeting, and press reports to this effect helped push the yield on the 30-year Treasury issue down to 6.27 per cent on Friday night. Most analysts argue that inflation is not an immediate threat and that economic growth, now likely to reach 4 per cent in the final quarter of this year, could drop back to around 3 per cent in the first quarter of 1994.

That economic picture, and the bond market's narrow trading range of the past few weeks, are unlikely to be changed by the statistics due out this week. Thursday will be the most active, producing November figures for durable goods orders, with Wall Street growth forecasts ranging from 1.5 per cent to 4 per cent.



Thursday will also see the University of Michigan's preliminary reading of December consumer sentiment and publication of the minutes of the Open Market Committee's last meeting, on November 16.

Some analysts think the Fed may have adopted a "bias towards firming" at the November meeting, or will do so tomorrow, to convince the market that it remains vigilant to the threat of inflation.

LONDON — Peter Marsh

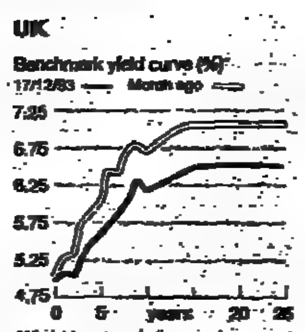
With December so far having proved a golden month for gilts, investors expect the recent steady buying pressure to abate somewhat over the holiday period.

After a 7 point gain for long-dated gilt prices in the past three weeks, many investors will be wary about extending their gilt purchases until the next spate of UK economic data is published around the middle of next month.

Last week, long-dated gilts moved up by about 1½ points, with a consequent fall in yields, on continuing lack of evidence of inflationary pressures in the UK.

Hopes are fairly high that the weak nature of price pressures throughout the economy will mean Mr Kenneth Clarke, the chancellor, will agree to cut interest rates from 5.5 per cent early in the new year.

He could possibly do this soon after he returns from his sales mission to the Far East



in mid-January to help UK financial services companies to boost their presence in the region.

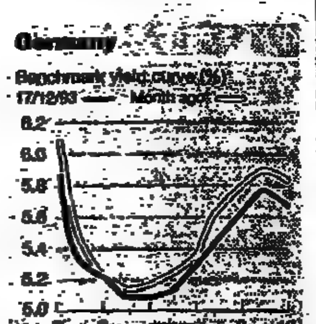
Significant in pushing up buying pressure was last week's news that underlying retail price inflation – the year-on-year rise in the retail prices index excluding mortgage interest payments – was 2.5 per cent in November after 2.8 per cent in October. At this level the figure is the lowest for 26 years.

FRANKFURT — David Waller

The Bundesbank traditionally concludes the year with the issue of a "Silvester" bond – a New Year's Eve offering. The central bank will break with tradition this year only insofar as the issue will be a 30-year bund, the first new issue at this maturity since 1986.

The move follows the recent decision to sell a new tranche of the 1986 issue and reflects the Bundesbank's desire to strengthen Finanzplatz Deutschland – Germany as a financial centre – by broadening the range and depth of government securities on offer. Until now investors wanting to buy government bonds of this maturity have not had a D-Mark investment vehicle.

It will also give the German government greater flexibility at a time when borrowing requirements are set to climb rapidly. As the Bundesbank made clear last week, it is intended to make regular use of borrowing at the long-end of the yield curve.



The announcement of the terms will come on December 28 and the auction will take place the day after. According to Ms Alison Cottrell, international economist at Midland Global Markets in London, there is no consensus on the likely coupon as yet. Trading in the informal London-based "grey market" ahead of issue sets the yield at 6.39 per cent compared with 5.73 per cent on the 10-year bund.

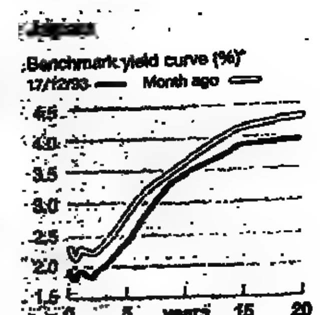
TOKYO — Emiko Terazono

Short-term bond market players may be seen taking profits in small lots this week, as hopes of a cut in the official discount rate this month have gradually receded, and the No.157 10-year benchmark government bond, which has been rallying on the back of a weak stock market since late November, is likely to take a breather.

Traders noted a change in sentiment on the Tokyo stock market as the Nikkei average recovered to the 18,000 mark last Friday for the first time in a month. The yen's ascent, which has also been a supporting factor, has also reversed.

However, long-term investors still expect further falls in yields since the Japanese economy has yet to show signs of recovery. The outlook on consumption is still gloomy – as household spending, announced today, is likely to indicate.

A recovery in consumer confidence is crucial to an



economic upturn, since consumption makes up 60 per cent of gross domestic product. However, increasing concerns over job cuts is postponing a rise in spending.

Many institutional investors are still eager to buy on a dip, and will support bond prices in the face of profit-taking.

On the money markets, the Bank of Japan is expected to increase liquidity as demand for year end funds will push up short term interest rates.

Capital & Credit / Antonia Sharpe

Depfa-Bank goes international

Unlike most German bankers, Mr Gerhard Bruckermann is not afraid of publicity. That is perhaps just as well, because he is relying heavily on his public relations skills to turn his bank into one of the prime issuers in the Eurobond market.

The bank in question is Depfa-Bank, which is short for Deutsche Pfandbrief und Hypothekenbank. Although it is Germany's largest mortgage bank, with total group assets of more than DM100bn ($58.5bn), it was virtually unknown outside Germany until a few months ago.

While it was state-owned, Depfa's management was not particularly bothered by the bank's low international profile because it could fund itself quite happily in the domestic market by issuing *Pfandbriefe*, bonds secured by mortgages or public-sector loans.

However, since it was privatised in 1991, the bank has sought to improve its earnings by reducing its dependence on Germany for its loans business (the bulk of which is to the public sector) and for its funding. Indeed, the economic recession in Germany has increased Depfa's need to find new markets within the European Union.

As Depfa's management board member responsible for treasury fund management and for public sector loans, Mr Bruckermann has spearheaded the bank's expansion abroad. Given his extensive experience in the international capital markets (before joining Depfa in 1991 he was head of fixed-income and equity syndicate at Deutsche Bank), he was the obvious choice.

Over the past year, the 46-year-old, who is fluent in English and French, has spent much of his time on aircraft. He has been on a whistle-stop tour of east Asia, meeting institutional investors from Singapore to Beijing, and made countless presentations in Europe to salesforces at US, Swiss and French banks.

So far, his efforts appear to have paid off. In spite of the bank's lack of a credit rating, Depfa has raised the equivalent of around $3bn in the Eurobond market, mainly through high-profile, inaugural deals which have come at virtually the same yield spreads as established borrowers with triple-A ratings.

Gerhard Bruckermann: has spearheaded expansion abroad

Next year, Depfa plans to raise as much as half of its DM25bn borrowing programme in the Eurobond market, which would make it one of the market's biggest issuers. The bulk of the borrowing is likely to be through its $5bn multi-currency, medium-term note programme, which has been arranged by Morgan Stanley and Banque Nationale de Paris.

Depfa has scored a significant victory by coming to the market without having a credit rating, a feat which has not gone unnoticed by the international ratings agencies. "We are trying to delay the rating process because of the low profitability of the bank relative to its assets," Mr Bruckermann says.

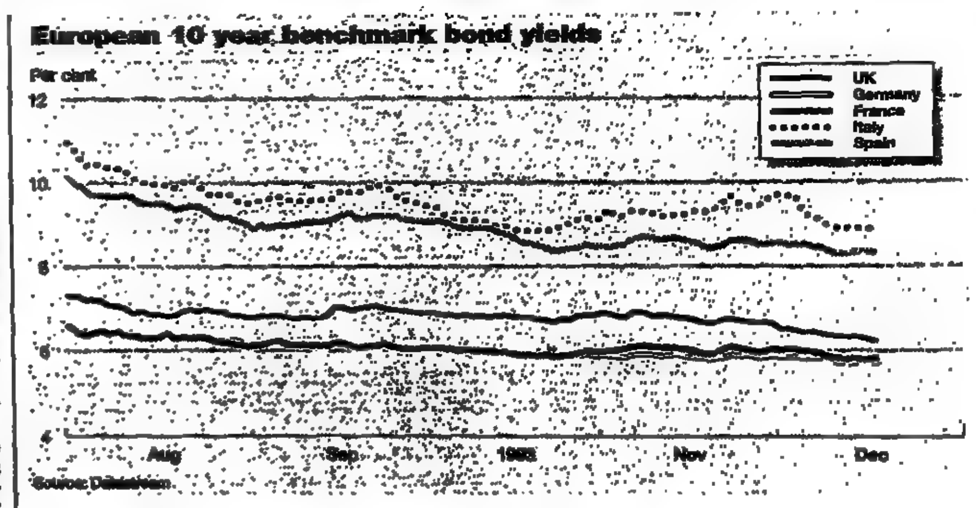
Depfa has made no secret of its desire to secure a triple-A rating, but some credit analysts believe that the bank's strategy of geographical diversification might have jeopardised its chances.

One analyst points out that Standard & Poor's has revised its long-term rating outlook on Crédit Local, the triple-A rated French bank, to negative from stable to reflect concern that the bank's diversification might raise its risk profile.

The fact that Depfa's Eurobonds are subordinated to the large amount of secured bonds on Depfa's balance sheet could also prompt the ratings agency to award a strong double-A rather than a triple-A rating, even though credit analysts say that this distinction is academic given the bank's creditworthiness.

Nevertheless, some syndicate managers believe that Depfa's lack of a rating could hamper its progress in the Eurobond market next year. "If Depfa is going to become a frequent issuer, it will be under greater pressure to get an explicit rating," says one syndicate manager.

Having proved that ratings are not a prerequisite for first-time borrowers in the Eurobond market, Mr Bruckermann would no doubt be extremely co-operative with the ratings agencies if they ever decided to rate Depfa. A far greater challenge is convincing Depfa's deeply patriotic car-purchasing manager to let him have a Toyota Lexus as his new company car.



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	3.00	1.75	5.75	7.00	8.00	5.50
Overnight	2.94	2.34	6.19	6.56	8.50	5.13
Three month	3.11	2.08	6.25	6.45	8.38	5.25
One year	3.57	2.16	5.31	5.69	8.00	5.06
Five year	5.16	2.33	5.12	5.25	8.58	5.81
Ten year	5.77	3.15	5.65	5.78	8.88	6.18

(1) French Repo rate, (2) UK Base rate. Source: Reuters

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	115-19	116-00	+0.09	116-03	115-17	14,579	45,039
Mar	114-12	114-23	+0.09	114-28	114-08	259,925	264,365
Jun	113-18	113-27	+0.13	113-29	113-17	2,150	10,443
Sep	112-21	112-22	+0.10	112-23	112-19	246	15,378

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
"Shorts" (Lives up to Five Years)						
Treas 8½pc 1994	100	-.1	2,100	Au3 Fe3	28.6	4871
14½pc 1994‡‡	101	-.2	600	Se1 Mr1	28.7	1307
Exch 13½pc 1994	102	-.2	1,100	Oc27 Ap27	20.9	1267
Treas. 10pc Ln. 1994‡‡	102	-.2	1,800	De9 Je9	2.11	1284
Exch 12½pc 1994	104	-.1	1,240	Fe22 Au22	16.7	1283
Treas 9pc 1994‡‡	103	-.1	1,900	My17 Nv17	11.10	1345
12pc 1995	107	-.3	2,380	Jy25 Ja25	18.6	1294
Exch 3pc Gas 90-95	97	0.1	214	Nv1 My1	27.9	1271
10¼pc 1995	107xd	-.1	2,600	Ja21 Jy21	15.12	1264
Treas 12¾pc 1995‡‡	113	-.2	840	My15 Nv15	11.10	1298
14pc 1996	117xd	-.1	770	Jy22 Ja22	16.12	1305
15¼pc 1996‡‡	122	-.2	1,150	Nv3 My3	27.9	1309
Exch 13¼pc 1996‡‡	118	-.1	800	Nv15 My15	11.10	1289
Conversion 10pc 1996	112	-.1	3,409	My15 Nv15	11.10	1240
Treas 13¼pc 1997‡‡	121xd	-.1	1,280	Jy22 Ja22	16.12	1302
Exch 10½pc 1997	114	-.2	1,700	Au21 Fe21	15.7	1283
Treas 8¾pc 1997‡‡	110	-.2	8,650	Mr1 Se1	26.7	1341
Exch 15pc 1997	131	-.1	630	Ap27 Oc27	20.9	1289
9¾pc 1998	114xd	0.1	3,650	Jy19 Ja19	13.12	1273
Treas 7¼pc 1998‡‡	104	—	8,250	Mr30 Se30	24.9	–
7¼pc 1998 B‡‡	104	—	1,800	Mr30 Se30	–	–
Treas 6¾pc 1995-98‡‡	102	-.1	1,200	Nv1 My1	27.9	1301
14pc '98-1	131	0.1	970	Nv22 My22	16.10	1306
Five to Fifteen Years						
Treas 15½pc '98‡‡	140	—	835	Mr30 Se30	24.9	1308
Exch 12pc 1998	126	0.2	3,809	My30 Nv30	14.10	1259
Treas 9½pc 1999‡‡	116xd	0.2	1,900	Jy15 Ja15	9.12	1347
Exch 12¼pc 1999	128	0.3	3,050	Se26 Mr26	20.8	1284
Treas 10½pc 1999	121	0.3	1,252	Nv19 My19	13.10	1288
Treas 6pc 1999‡‡	101	0.2	3,900	Fe10 Au10	–	–
Conversion 10¼pc 1999	121	0.3	1,798	My22 Nv22	18.10	1242
9pc 2000‡‡	115	0.4	5,358	Se3 Mr3	28.7	1244
Treas 13pc 2000	138xd	0.6	3,171	Ja14 Jy14	8.12	1299
10pc 2001	121	0.5	4,406	Au26 Fe26	20.7	1280
7pc '01‡‡	105	0.6	3,250	My6 Nv6	–	–
9¾pc 2002	122	0.5	6,527	Fe27 Au27	21.7	1349
8pc 2003‡‡	112	0.9	7,800	Ja10 De10	3.11	–
10pc 2003	128	0.6	2,503	Mr8 Se8	2.8	1281

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Treas 11¾pc 2001-4	139	0.6	1,820	Se19 Mr19	13.8	1290
Funding 3½pc '99-4	85xd	1.5	543	Ja14 Jy14	8.12	1274
Conversion 9½pc 2004	124	1.6	3,412	Ap25 Oc25	20.9	1246
Treas 6¾pc 2004	104	1.4	3,250	My26 Nv26	–	–
6¾pc 2004 A (£60 Pd)	54	[illegible]	[illegible]	My26 Nv26		–
Conv 9½pc 2005	125	1.1	4,842	Oc18 Ap18	13.9	1247
Treas 12½pc 2003-5	149	0.8	2,200	My21 Nv21	15.10	1286
7¾pc 2006‡‡	111	1.3	3,900	Mr8 Se8	2.8	–
8pc 2002-6‡‡	110	0.7	2,000	Ap5 Oc5	1.9	1324
Treas 11¾pc 2003-7	136xd	0.6	3,150	Jy22 Ja22	16.12	1293
Treas 8½pc 2007‡‡	118xd	1.1	5,497	Ja16 Jy16	16.12	1339
13½pc '04-8	160	0.8	1,250	Se26 Mr26	26.8	1301
Over Fifteen Years						
Treas 9pc 2008‡‡	123	1.2	5,321	Ap13 Oc13	6.9	1249
8pc 2009	114	1.2	3,100	Mr25 Se25	19.8	1330
Conv 9pc Ln 2011‡‡	125xd	1.1	4,273	Ja12 Jy12	6.12	1246
Treas 9pc 2012‡‡	126	1.1	6,150	Fe6 Au6	30.6	1701
Treas 5½pc 2008-12‡‡	93	1.5	1,000	Mr10 Se10	4.8	1330
Treas 8pc 2013‡‡	116	1.1	4,950	Mr27 Se27	23.8	–
7¾pc 2012-15‡‡	113	0.8	800	Jy26 Ja26	21.6	1332
Treas 8¾pc 2017‡‡	127	1.2	6,950	Fe25 Au25	18.7	1962
Exch 12pc '13-'17	158	1.9	1,000	Ja12 De12	5.11	1260
Undated						
Consols 4pc	50	1.3	359	Fe1 Au1	25.6	1239
War Loan 3½pc‡‡	45xd	1.7	1,909	Ja1 De1	25.10	1352
Conv 3½pc '61 Aft.	70	0.9	119	Ap1 Oc1	26.8	1243
Treas 3pc '66 Aft.	43	3.6	58	Ap5 Oc5	1.9	1324
Consols 2½pc	37xd	1.2	276	5JaApJyOc	1.12	1238
Treas. 2½pc	30	—	475	Ap1 Oc1	25.8	1315

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Index-Linked (b)						
Treas. 2pc '94 (102.9)	136	—	500	Mr16 My16	11.10	3070
2pc '96 (67.9)	209	-.2	1,200	Mr16 Se16	10.8	1313
4⅝pc '98‡‡ (135.6)	113	-.1	800	Ap27 Oc27	20.9	–
2½pc '01 (78.3)	175	0.3	1,300	Mr24 Se24	16.8	1316
2½pc '03 (78.8)	171	0.4	1,060	Nv20 My20	14.10	1317
4⅛pc '04‡‡ (135.6)	117	0.5	800	Ap21 Oc21	14.9	–
2pc '06 (69.5)	162xd	0.7	1,950	Ja19 Jy19	13.12	1314
2½pc '09 (78.8)	155	0.8	1,850	Nv20 My20	14.10	1318
2½pc '11 (74.6)	173	0.8	1,800	Fe23 Au23	19.7	1319
2½pc '13 (89.2)	144	0.9	2,150	Fe16 Au16	12.7	1320
2½pc '16 (81.6)	155	0.9	2,400	Ja26 Jy26	21.6	1321
2½pc '20 (83.0)	150	1.0	2,400	Oc16 Ap16	9.9	1322
2½pc '24‡‡ (97.7)	127xd	1.2	1,800	Ja17 Jy17	13.12	1323
4⅛pc '30‡‡ (135.1)	128xd	1.1	1,100	Jy22 Ja16	16.12	–

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1993: 140.6 and for November 1993: 141.6.

Other Fixed Interest

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
African Dev 11¼ 2010	140	—	50	Ja4 Jy4	1.12	–
Asian Dev 10¼pc 2009	131	—	100	Mr24 Se24	20.3	–
B'ham 11½pc 2012	135	—	45	My15 Nv15	17.4	1057
Ireland Cap 8½pc '10	113	1.1	304	Ap1 Oc1	–	1465
9pc Cap 1996	102	0.4	725	Ja30 Jy30	–	–
13pc '97-2	114	0.7	315	Ap1 Oc1	20.8	1466
Hydro Quebec 15pc 2011	167	—	40	Mr31 Se31	27.10	–
Leeds 13½pc 2006	145	—	40	Ap1 Oc1	12.3	3140
Liverpool 3½pc Irred	43	—	5	1JaApJyOc	1.8	3160
LCC 3pc '20 Aft.	38	—	26	1MrJnSeDe	1.8	–
Manchester 11½pc 2007	131	—	7	Ap25 Oc25	30.3	3276
Met. Wtr. 3pc 'B'	75	—	25	Mr1 Se1	1.8	3381
N'wide Anglia 3⅝pc 2021	146	—	60	Ja30 Jy30	8.1	3465
4⅝pc IL 2024	146	—	30	Fe23 Au23	28.7	–
Utd Mex States 16½pc 2008	165	—	50	Mr1 Se1	27.8	–

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. § Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds. Weekly percentage changes are calculated on a Friday to Friday basis.

International / Tracy Corrigan

Brussels bonds could help Ecu sector

After a difficult 18 months, the Ecu bond market could be heading for better times, not only because expectations of eventual, if partial, European monetary union are gradually reviving.

If Mr Jacques Delors' plans for "Brussels bonds" to help finance Europe's economic recovery are realised, it is likely that a significant portion of the potential Ecu8bn of additional funding in the international capital markets would be raised in the Ecu market.

While greater supply is not always a cause for celebration in bond markets, in this case it is likely to be welcomed rather than feared by traders.

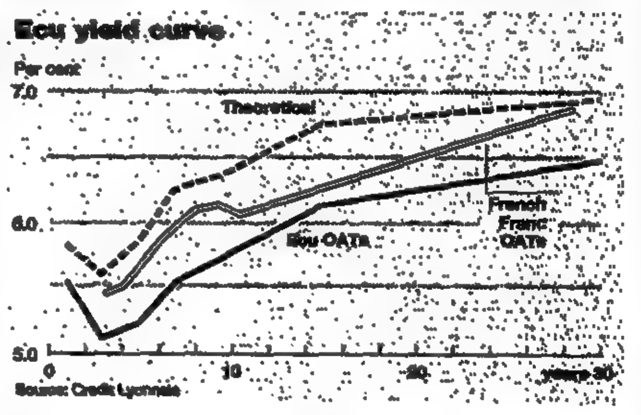
Since the Ecu bond market collapsed in June 1992, when the Danes rejected the Maastricht Treaty in their first referendum, the supply of new issues has been sluggish, causing liquidity to dry up.

In the wake of the market's collapse, many banks and securities houses transferred their recently-expanded teams of Ecu bond traders to more lucrative and healthy markets such as the D-Mark bond market, exacerbating the problem. Then, when spreads widened substantially, many Ecu bonds were swapped for floating-rate assets, which meant that they were no longer traded.

For both political and pragmatic reasons, issuance by European Union member governments has declined. France, for example, has fallen short of its stated target of raising 15 per cent of its long-term debt in Ecu: Mr Jonathan Davies, an economist at UBS, estimates that the proportion of Ecu debt this year is running at about 7 per cent.

In a record year for the Eurobond market, with issuance approaching $400bn, there have been only 21 Ecu Eurobond issues totalling $7.17bn, compared with more than $21bn in 1992 and more than $30bn in 1991.

Nevertheless, following a further sell-off in the Ecu bond market after the widening of the bands of Europe's exchange rate mechanism in August, the spread of 10-year Ecu bond yields relative to



German bonds has tightened from more than 80 basis points to less than 40 basis points.

In the short term, dealers say this spread is starting to look rather expensive.

"We are seeing some interest in unloading Ecu [bonds] for Denmark, France and Belgium," says Mr John Hall, an economist at Swiss Bank Corporation. "Our strategy would be to let the spread widen out and then buy it."

Mr Steve Major, head of bond research at Crédit Lyonnais in Paris, says that 30-year Ecu bonds may currently offer the best value, as the potential for monetary union has not really been priced into the market, so that the investor is "getting a free option on monetary union."

While the increased supply in the Ecu market may cause spreads to widen in the short term, it is essential to the health of the market in the longer term.

Although sovereign borrowers like Spain, Portugal and Sweden, as well as some east European countries, are considered likely to tap the markets, issuance by the European Community could provide a vital fillip.

Already, the EC is starting to win benchmark status in the Ecu bond market away from French Ecu OATs, according to traders.

This is partly for technical reasons: many French Ecu bonds have high coupons and trade at a premium, which makes them less liquid. In addition, the EC prices its bonds at a spread of 10 basis points below Ecu OATs, which makes the EC seem the more obvious benchmark.

But while there are gaps in the French Ecu bond yield curve, there are even bigger gaps in the EC yield curve. This could change.

So far, the EC expects to borrow around Ecu4.5bn next year, based on projects which have already been approved, an official said, but that number is likely to be increased as more projects are approved.

If the EC were to become the channel for Brussels bonds – and it is considered the most likely vehicle, according to sources there – this could increase by a further Ecu8bn. Not all of this would be raised in the Ecu bond market, but the EC does prefer to borrow in Ecu when terms are favourable. "Any time we can combine our financial objectives with the use of Ecu, we will always favour that as an alternative," the official said.

Although there are still objections to the Delors plan from the UK and German governments, sources at the EC believe that at least some additional borrowing will go ahead.

If this happens, the current constraints on the EC's borrowing – it must raise amounts which exactly match the size of the loans it is making – are likely to be lifted.

If Brussels bonds were to be channelled through the EC, the EC would become an issuer of similar stature to the European Investment Bank, which raised around Ecu15bn this year, and is likely to have a similar requirement next year. Again, a reasonable portion of this borrowing is expected to be in Ecu.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Yodogawa Steel Works(a)§	300	Dec.1997	1.75	100.00	-	-	Nikko Europe
Lippo Treasury(b)★§	50	Dec.2000	1.25	100.00	-	-	SBC, Zurich
Transportadora de Gas del Sur	200	Dec.1998	7.75	99.70R	7.824	+270(5¼%-98)	Lehman Brothers Intl.
Sterlite Inds. (India)(c)§	100	Jan.1999	3.50	100.00	-	-	Robert Fleming
Ryoden Development(d)★§	50	Dec.1998	3.00	100.00	-	-	SBC, Zurich
Grupo Tribasa(e)	100	Dec.2000	7.75	99.40R	7.883	+230(7⅛%-01)	Lehman Brothers Intl.
Fifth Mexican Accept.Corp(a,f)	50	Dec.1998	8.00	95.50R	9.150	+395(5⅛%-98)	Kidder Peabody Intl.
Fifth Mexican Accept.Corp(a,g)	15	Dec.1998	9.00	95.46R	10.19	+500(5⅛%-98)	Kidder Peabody Intl.
Northern Leasing	50	Dec.1996	8.00	99.5243R	8.185	+462(4⅞%-96)	Chemical Invest. Bank
Citibank, Brazil Branch	60	Dec.1996	4.375	99.934R	8.400	+390(4⅞%-96)	Citibank International
D-MARKS							
Sudwestdeutsche LB Cp.Mkts‡	175	Jan.1999	(i)	99.70R	-	-	Morgan Stanley Fft.
World Bank‡	125	Jan.1999	(k)	99.45R	-	-	Morgan Stanley Fft.
YEN							
Mitsubishi Oil Co.(a)	10bn	Dec.2003	4.20	100.25R	-	-	Mitsubishi Finance Intl.
Kobe Steel(l)	10bn	Apr.2000	3.30	100.00	-	-	IBJ International
Kobe Steel(l)	15bn	Apr.1999	3.00	100.00	-	-	DKB International
Kobe Steel(l)	10bn	Apr.1998	2.65	100.00	-	-	Sanwa International
Commerzbank O'seas Fin.(l)‡	20bn	Apr.1996	(l)	103.50	-	-	Sanwa International
Mitsui & Co.(l)	15bn	Apr.1995	2.25	100.25R	-	-	Sakura Finance Intl.
European Invest. Bank(k)‡	5bn	[illegible]	(o)	101.70R	-	-	Nikko Europe
Inter-American Dev. Bank‡	10bn	Dec.1998	(o)	108.50R	-	-	Nikko Europe
Mitsubishi Estate Company(a)	10bn	Jan.1998	2.55	100.00R	-	-	Mitsubishi Finance Intl.
FRENCH FRANCS							
Crdt.Commercial de France‡	3.5bn	Jan.1998	(j)	99.91R	-	-	CCF
CANADIAN DOLLARS							
Toronto Dominion Australia(c)	100	Dec.1998	6.25	99.342R	6.389	+42 (6¾%-98)	ScotiaMcLeod
Exportfinans(e)	200	Dec.1998	6.00	99.702R	6.272	+30 (6¾%-98)	ScotiaMcLeod
SWISS FRANCS							
City of Vienna(f)★	200	Dec.1998	4.00	101.90	3.318	-	Merrill Lynch Cap.Mkts.
World Bank★	250	Jan.2002	4.00	102.375	3.652	-	Banque Paribas(Suisse)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. ★Private Placement. §Semi-annual coupon. R: fixed re-offer price. a) Denom.: $10,000 + 2 wrts. Ex price: Y845. FX: 110.05Y/$. b) Conv price: HK$13.16. FX: 7.7244HK$/$. Callable from 31/12/95, subject to 130% rule, at 104% declining 1% per annum. Callable and puttable on 31/12/98 at 128%. c) Short 1st and 2nd coupons. d) Coupon: 6⅛% for 1st yr and 24⅞% - 4 x 5-yr DM swap rate (fixing once only, min zero) thereafter. e) Short 1st coupon. f) Fungible with the outstanding SFr200m. Plus 10 days accrued. g) Conv price: Rs681.07. FX: 31.43Rs/$. Callable from 30/6/96, subject to 130% rule, at par. h) Conv price: HK$93.85. FX: 7.7244HK$/$. Puttable on 31/12/97 at par. i) Long 1st coupon. j) Coupon: 3-mth Pibor flat. k) Coupon: 6⅛% for 1st yr and 30% - 5 x 5-yr DM swap rate (fixing once only, min zero) thereafter. l) Class A notes of 2-tranche securitised deal. m) Class B notes of 2-tranche securitised deal. n) Coupon: 6-mth Libor +0.9%. o) Coupon: 6-mth Libor +0.8%. Note: Yields are calculated on ISMA basis.

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EQUITY MARKETS: This Week

NEW YORK — Frank McGurty

Underlining the difference a day makes

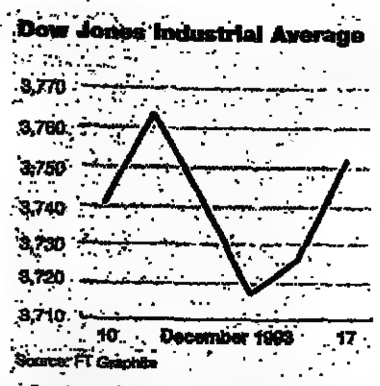
Wall Street's split personality came to the fore only once last week. On Monday, cyclical issues lifted the Dow Jones Industrial Average to a record high for the fourth time in five sessions, while broader indices again sagged under the weight of slumping technology stocks.

By mid-week, however, the Dow joined the wider measures and the secondary markets in tactical retreat, posting declines of 20-plus points for two days running. The downturn was cold comfort to the naysayers, who have been troubled by the lack of breadth in the market's recent advances, an increasing number of stocks reaching new lows and a dearth of new highs. Confidence was not restored by Thursday's half-hearted rally on the back of bargain hunting.

The pace of growth in the first months of 1994, after a stronger than expected fourth quarter, may have become a secondary issue for equities. Concern is instead centring on the prospects of an imminent shift in the Federal Reserve's monetary policy, which Mr Robert Barbera, an economist at Lehman Brothers, believes will trigger a 10 to 15 per cent market correction. Many others share that view.

Over the past fortnight, it has become the received wisdom on Wall Street that the Fed will make a pre-emptive strike on inflation by raising short-term interest rates before any clear signs of inflationary pressure surface.

Against this backdrop, it is hardly surprising that the weekly survey of the American Association of Individual Investors shows bullishness dropping 4 points to 33 per cent, and bearishness up 5 points to 29 per cent.



Source: FT Graphite

Last week, President Bill Clinton declared it would be a "mistake" for the Fed to change its policy because there was "no inflation trend in this economy". But his public jaw-boning seemed to do little to quell investors' anxieties.

However, an article in Friday's Washington Post may have given the "pre-emptive strike" scenario less credence. It quoted senior Fed officials as saying that such expectations were well off the mark.

Wall Street responded with relief, posting broad gains in a rally powered by heavy trading related to the "tripling witching" expiration of options and futures contracts. What a difference a day makes.

The market will get a better fix on the Fed's thinking on Tuesday, when the Federal Open Market Committee meets in Washington. Minutes of the meeting will not be available for about six weeks, but FOMC watchers will be looking for any hint about the outcome.

Donaldson, Lufkin & Jenrette, the New York brokerage, believes the FOMC will shift its bias toward tightening. But, based on the current data and the recent comments of the Fed governors, the firm expects no early action.

Only last Thursday, that view would have seemed out of step. Today, DL&J appears to reflect the consensus. If so, Wall Street's traditional year-end rally may come to pass after all.

LONDON — Terry Byland

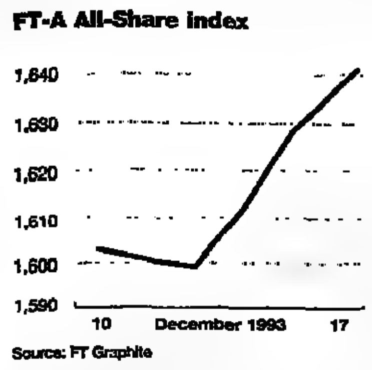
Sales by big stores give fresh focus

The stock market is moving towards Christmas 1993 with its collective eye fixed firmly on the home front. The triumphant conclusion to the Gatt world trade negotiations, and even the refusal of the Bundesbank to budge on German interest rates, were largely ignored by UK investors now in hot pursuit of the next base rate cut.

By Friday afternoon, many market analysts were asking themselves whether the stock market had begun to overreach itself. This week, equities will at last return to more normal trading conditions, with the stock index futures markets no longer exerting the phenomenal pressures which surrounded the expiry of the December contract on the Footsie on Friday morning.

Interest will now turn to the March contract and some specialists were already suggesting selling if the premium holds up at this early stage of its life. Some equity market-makers suffered heavy losses during the run-up to the December expiry and will be only too happy to see share prices lower for a while. However, high levels of retail investment business in equities indicate that the institutions will not let prices fall very far before stepping in to pick up stock.

As for the chances of base rate cuts before Christmas, only the chancellor of the exchequer and the governor of the Bank of England can speak with conviction. Equity strategists would say that the timing is not important when the general consensus is that rates are on the way down. But the trading desks are unwilling to hold too many shares "on the book" over the Christmas holiday, so a sell-off by market-makers is possible this week



Source: FT Graphite

if the pace of advance in the market shows signs of faltering. On present form, the institutions would use this as a chance to buy cheap shares.

But the market will be looking this week, perhaps with some trepidation, for sales progress reports from the big stores. Store shares have seriously underperformed the market this month and hearsay has it that a leading institutional broking house received unpromising reports when it conducted a telephone survey of the big names.

Falls of around 4.8 per cent in the share price of Marks and Spencer and 5 per cent in Dixons over a fortnight which saw the Footsie gain 3 per cent look uncomfortable. If the market weakens overall, then stores could be targeted by the sellers.

The delayed trading report from Darty on Friday was eagerly awaited by investors in Kingfisher. It held the share price fall to about 1.4 per cent, but had few implications for other UK store shares.

The weight of investment money trading in the London market remains very substantial; when Friday's total is disclosed, the week's total retail, or customer volume, can hardly be far short of £8bn. International investment money continues to move towards London. Equity strategists continue to argue that the low inflation and interest rates available in the UK will prove an attraction difficult for fund managers to resist.

OTHER MARKETS

Barring unforseen events, a quiet week is in store with the outcome of the Gatt agreement and Russian elections now discounted by markets.

MILAN

Milan will be awaiting final parliamentary approval of the budget, due by Thursday, which is widely expected to trigger a half point cut in the discount rate. The new electoral law becomes effective today, opening the way for elections to be called next year.

The capital increases of Ferruzzi Finanziaria and its industrial subsidiary Montedison start tomorrow. Ferruzzi is looking for a cash injection of L2,480bn while Montedison's capital increase is for L2,920bn.

FRANKFURT

Behringwerke, a subsidiary of Hoechst, gives details today of the results of clinical trials of its drug Deoxyspergualin (DSG) on multiple sclerosis patients.

Shares in Schering, which is about to launch its own MS drug in the US, ahead of a 1995 launch in Europe, fell 5.9 per cent last Wednesday when details of the Behringwerke conference were announced.

However, Mrs Birgit Kulhof at UBS in Zurich believes that the fall was overdone, noting that Behringwerke's drug faced further trials and was unlikely to be ready for the market before 1997.

Daimler-Benz holds an extraordinary general meeting today to discuss the merger of Daimler with Mercedes Holding.

ZURICH

December consumer price inflation is forecast to show a small increase to 2.4 per cent, although UBS expects that rent cuts, productivity gains and weakness of raw material costs will take the trend down towards 1 per cent by mid-1994.

PARIS

Industrial production figures for October come today. James Capel expects manufacturing to recover by 0.6 per cent after September's 1.0 per cent fall, implying a rise in overall industrial production of 0.4 per cent after September's 0.3 per cent fall.

TOKYO

Further buying in high-technology electronics stocks could push the Nikkei Average up further, although profit-taking is expected to prevent a sharp rise in the Nikkei index above the 18,000 level.

RISK AND REWARD

Grabbing the tiger's tail with HK warrants

Grabbing the tail of the Asian tiger that is the Hong Kong stock market has been easier for investors since October, when the American Stock Exchange began listing a series of institutionally-issued warrants on its own capitalisation-weighted index of 30 representative companies traded on the Hong Kong Stock Exchange.

Designed to track the popular Hang Seng index, the Amex 30 Hong Kong index was created to give US dollar-oriented investors a highly leveraged means of betting on Hong Kong's rapid equity expansion and diversifying their portfolios into an emerging market.

With the Hong Kong stock market up 98 per cent over the last 12 months, as measured by the FT-Actuaries World indicies in local currency terms, its not surprising New York's main investment houses have been tumbling over themselves to bring Amex-traded Hong Kong warrants to market.

PaineWebber was first, selling 2.6m Hong Kong 30 call warrants and 2.4m put warrants to the public on October 26 and listing them for trading on the Amex. They were followed by a Morgan Stanley Group issue of 6m call warrants on November 2 and a 1m issue of call warrants by Salomon on November 5. Bear Stearns issued 1.5m put and 1m call warrants on December 10 and Merrill Lynch rounded out the selection, issuing 1.6m call warrants on the Amex Hong Kong 30 on Friday.

Aside from Hang Seng futures traded in Hong Kong, the Amex warrants are the only exchange-traded derivative product available on Hong Kong equities. While global money managers can access the market through direct investment and structured derivative transactions, smaller investors have had to purchase specialised Asian mutual funds to ride the rally.

The Amex warrants' popular price – almost all of them sold in the $5 range – have attracted a broad range of investors. They have two or three-year durations, with all expiring well before Hong Kong is due to be handed back to the Chinese in 1997.

At expiration, warrant-holders are paid the cash value represented by the index. They can be actively traded, and do not have to be held to expiration.

The PaineWebber calls were issued in October at $4.75 each, with a strike of 440.09 on the index. The index has since climbed to 531.76, while the value of a PaineWebber call has jumped to about $6.50.

The warrants, like options, are used for portfolio diversification. Call warrants allow an institution to "tilt" its portfolio toward an active market without the capital required for direct share purchases.

Put warrants can be purchased to protect profits from existing investments. Traders holding profits from owning Hong Kong stocks will buy the puts as cheap insurance against a market reversal. The alternative – liquidating stock – eliminates potential gains if the rally continues.

With the Hong Kong market overdue for a downside correction, some Wall Street traders believe the timing of new warrants is a little late for investors to catch the crest of rally.

The fear of a correction in a raging bull market prompted Merrill Lynch to engineer a "reset" clause into the Hong Kong 30 call warrants it priced on Friday. Merrill will allow warrant buyers to "reset" the strike price of the issue in 60 days, shielding them against losses should the index turn down in the interim.

"The reset provision really sets our product out from the other Hong Kong warrants," said Mr Stanton Green, vice-president of equity derivatives for Merrill Lynch. "We included it because it was clear our clients wanted it."

Laurie Morse

INDICES AT A GLANCE

	Closing price	Percentage Change: Over week	On 12 months	Since Jan 1	12 month High		12 month Low		1993 High		1993 Low	
FT-SE 100	3,337.10	-2.3	+21.8	+17.2	3,337.1	17/12/93	2,737.6	19/1/93	3,337.1	17/12/93	2,737.6	19/1/93
Dow Jones Ind.	3,751.57	-0.3	+14.8	+13.6	3,764.43	13/12/93	3,241.95	20/1/93	3,764.43	13/12/93	3,241.95	20/1/93
Nikkei 225	16,051.91	-4.6	+3.5	+8.7	21,148.11	13/9/93	16,078.71	29/11/93	21,148.11	13/9/93	16,078.71	29/11/93
Dax	2,151.02	-0.5	+45.7	+39.2	2,175.86	9/12/93	1,469.75	14/12/92	2,175.80	9/12/93	1,516.50	13/1/93
CAC 40	2,195.44	-3.1	+28.5	+18.2	2,231.86	22/10/93	1,735.23	17/12/92	2,231.86	22/10/93	1,772.21	29/1/93
Banca Com. Ital.	602.40	+3.3	+43.2	35.0	632.86	30/8/93	420.35	17/12/93	632.86	30/8/93	446.33	1/1/93

FT Graphite

LONDON RECENT ISSUES

Newly issued shares appear for between four and six weeks in the London Recent Issues table. At the end of this period, a stock is normally moved to the appropriate category of the London Share Service if the company so requests.

In the full weekday editions of the FT, published on Tuesday to Friday mornings, the table appears on the half page of London Market Statistics that also includes the FT-Actuaries Fixed Interest Indices and London traded options prices.

On Saturdays, it appears on the UK Company News page, and on Mondays on the Currencies, Money & Capital Markets page.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 17 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 17 / Frs.)

[illegible]

DENMARK (Dec 17 / Kr)

[illegible]

FINLAND (Dec 17 / Mka)

[illegible]

FRANCE (Dec 17 / Frs.)

[illegible]

GERMANY (Dec 17 / Dm.)

[illegible]

ITALY (Dec 17 / Lire)

[illegible]

NETHERLANDS (Dec 17 / Fls.)

[illegible]

NORWAY (Dec 17 / Kroner)

[illegible]

SPAIN (Dec 17 / Pts.)

[illegible]

SWEDEN (Dec 17 / Kronor)

[illegible]

SWITZERLAND (Dec 17 / Frs.)

[illegible]

PACIFIC

JAPAN (Dec 17 / Yen)

[illegible]

AUSTRALIA (Dec 17 / Aust$)

[illegible]

HONG KONG (Dec 17 / H.K.$)

[illegible]

MALAYSIA (Dec 17 / MYR)

[illegible]

SINGAPORE (Dec 17 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Dec 17 / Can $)

4 pm close

[illegible]

MONTREAL (Dec 17 / Can $)

4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Dec 17 / Rand)

[illegible]

FT FREE ANNUAL REPORTS SERVICE

[illegible]

■ TOKYO - MOST ACTIVE STOCKS: Friday, December 17, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba	6.7m	699	-14	Suzuki Motor	2.9m	1,060	
Fujitsu	5.8m	850	+13	Matsushita E Ind	2.8m	1,530	+10
Towa Bank	4.9m	770		NEC	2.7m	907	+6
Nippon Steel	4.8m	305	-6	Hitachi	2.7m	835	
Itochu	4.6m	584	+20	Toyota Motor	2.6m	1,790	+40

INDICES

	Dec 17	Dec 16	Dec 15	1993 High		1993 Low	
Argentina							
General (29/12/77)	(u)	18140.8	18255.5	18469.00	10/12	12167.60	8/3
Australia							
All Ordinaries(1/1/80)	2080.2	2074.8	2069.9	2132.40	1/11	1495.00	13/1
All Mining(1/1/80)	974.0	968.0	967.9	974.00	17/12	684.70	13/1
Austria							
Credit Aktien(30/12/84)	417.82	416.78	416.81	424.58	2/11	[illegible]	14/1
Traded Index(2/1/91)	1079.87	1084.03	1079.79	1098.66	13/12	712.08	18/1
Belgium							
BEL20 (1/1/91)	1421.68	1420.96	1426.59	1438.42	6/12	1125.48	4/1
Brazil							
Bovespa (29/12/83)	(u)	30430.0	30117.0	97300.00	29/8	714.72	4/1
Canada							
Metals Mnls♦(1975)	3367.10	3409.92	3404.77	3851.97	13/12	2443.31	21/1
Composite♦ (1975)	4223.60	4216.20	4225.60	4307.70	8/12	3275.80	21/1
Portfolio§§ (4/1/83)	2029.39	2027.21	2033.75	2066.08	13/12	1780.87	21/1
Chile							
IPGA Gen (31/12/80)	(u)	3619.5	3637.7	3819.50	16/12	2812.60	10/6
Denmark							
CopenhagenSE(3/1/83)	345.37	346.66	348.91	365.14	4/11	261.80	4/1
Finland							
HEX General(28/12/90)	1519.7	1520.2	1502.8	1667.70	3/11	843.10	22/1
France							
SBF 250 (31/12/90)	1455.05	1437.01	1434.01	1455.05	17/12	1114.19	28/1
CAC 40(31/12/87)	2196.44	2160.26	2162.63	2231.88	22/10	1772.21	29/1
Germany							
FAZ Aktien(31/12/58)	830.30	817.14	814.69	831.89	13/12	598.92	14/1
Commerzbank(1/12/53)	2348.10	2337.10	2329.7	2382.50	13/12	1694.30	14/1
DAX (30/12/87)	2151.02	2137.45	2110.70	2175.80	9/12	1516.50	13/1
Greece							
Athens SE(31/12/80)	923.90	924.31	933.90	944.44	13/8	667.72	5/1
Hong Kong							
Hang Seng(31/7/64)	10598.88	10339.86	9945.26	10568.88	17/12	5437.80	4/1
India							
BSE Sens.(1979)	3454.8	3401.9	3454.8	3454.80	13/12	2100.87	23/4
Indonesia							
Jakarta Comp.(10/8/82)	556.95	553.36	543.84	558.95	17/12	273.31	5/1
Ireland							
ISEQ Overall(4/1/88)	1852.45	1844.78	1838.07	1852.45	17/12	1191.19	11/1
Italy							
Banca Comm Ital (1972)	602.40	602.55	595.00	632.88	30/8	446.33	6/1
MIB General (4/1/93)	1322.0	1322.0	1306.0	1390.00	30/8	992.00	11/1
Japan							
Nikkei 225 (16/5/49)	18051.91	17789.28	17489.15	21148.11	13/9	16078.71	29/11
Nikkei 300 (1/10/82)	276.73	272.58	268.69	308.84	10/11	249.84	29/11
Topix (4/1/68)	1490.47	1474.21	1452.35	1698.67	3/9	1250.06	25/1
2nd Section (4/1/68)	1924.45	1904.49	1881.31	2394.97	7/6	1651.72	26/1
Malaysia							
KLSE Comp.(4/4/86)	1109.53	1112.59	1116.09	1116.09	15/12	614.29	13/1
Mexico							
IPC (Nov 1978)	(u)	2422.85	2389.88	2433.27	8/12	1504.16	25/2
Netherland							
CBS TtlRtnGen(End 83)	420.6	417.1	413.1	420.60	6/12	295.70	4/1
CBS All Shr (End 83)	272.6	270.3	267.8	272.70	6/12	193.00	13/1
New Zealand							
Cap. 40 (1/7/86)	2080.55	2099.22	2089.30	2203.59	2/11	1495.37	21/1
Norway							
Oslo SE(Ind)(2/1/83)	1003.66	992.35	980.16	1038.73	18/11	668.83	27/1
Philippines							
Manila Comp (2/1/85)	2882.43	2814.97	2867.83	2882.43	17/12	1270.65	4/1
Portugal							
BTA (1977)	2588.9	2583.3	2586.3	2698.00	9/9	1609.20	14/1
Singapore							
SES All-S'pore(2/4/75)	601.62	599.26	597.77	601.62	17/12	394.10	13/1
South Africa							
JSE Gold (28/9/78)	2088.0♥	(c)	2128.0	2153.00	14/12	775.00	5/1
JSE Ind. (28/9/78)	5163.0♥	(c)	5176.0	5176.00	16/12	[illegible]	[illegible]
South Korea							
KoreaCmpEx(4/1/80)**	874.10	870.72	865.86	874.10	17/12	605.93	6/3
Spain							
Madrid SE (30/12/85)	308.61	307.51	306.07	310.28	22/10	216.60	4/1
Sweden							
AffarsvardnGen (1/2/37)	1361.10	1361.0	1361.80	1436.10	4/11	876.10	26/1
Switzerland							
Swiss Bk Ind (31/12/58)	1260.28	1249.58	1243.28	1260.28	17/12	[illegible]	11/1
SBC General (1/4/87)	983.37	976.67	971.89	983.37	17/12	678.70	11/1
Taiwan							
WeightedPr.(30/6/66)**	5274.76	5331.87	5161.80	5331.87	16/12	3088.43	9/1
Thailand							
Bangkok SET (30/4/75)	1513.83	1512.66	1519.06	1519.06	15/12	818.84	1/6
Turkey							
Istanbul Cmp.(Jan 1986)	19088.6	18721.6	18583.2	19088.60	17/12	3855.53	1/1
WORLD							
MS Capital Int (1/1/70)§	597.6*	583.6	586.5	607.10	15/10	499.60	13/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1419.34	1407.56	1405.40	1419.34	17/12	1063.02	13/1
Euro Top-100 (26/6/90)	1193.73	1184.49	1179.07	1193.73	17/12	882.73	13/1
JCapelDrgns (31/12/88)	(u)	341.60	332.72	341.60	17/12	188.82	4/1
Barings Emerg.(7/1/92)	155.47	154.97	155.13	155.47	17/12	99.81	4/2

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2192.0	2208.0	+36.0	2213.0	2185.0	16,508	33,718
Jan	2201.5	2219.5	+36.0	2224.0	2197.0	2,317	14,664
Feb	2213.5	2231.5	+36.0	2213.5	2213.5	1	150
Mar	2226.0	2242.5	+36.0	2241.0	2219.5	2,690	22,872

Open interest figures for previous day.

** Sat Dec 11: Taiwan Weighted Price 4751.58; Korea Comp Ex 866.88. Base values of all Indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 26 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ♥ Subject to official recalculation.

US INDICES

Dow Jones	Dec 17	Dec 16	Dec 15	1993 High	1993 Low	Since compilation High	Since compilation Low
Industrials	3751.57	3728.14	3716.92	3764.43 (13/12)	3241.95 (20/1)	3764.43 (13/12/93)	41.22 (2/7/32)
Home Bonds	110.86	110.84	110.91	111.29 (10/12)	103.49 (11/1)	111.29 (10/12/93)	54.99 (1/10/81)
Transport	1754.17	[illegible]	1754.46	1771.98 (13/12)	1463.84 (4/1)	1771.98 (13/12/93)	12.32 (8/7/32)
Utilities	227.89	226.07	224.59	256.46 (31/8)	217.14 ([illegible]/1)	256.46 (31/8/93)	10.50 ([illegible]/4/32)

DJ Ind. Day's high 3768.80 (3746.60) Low 3706.30 (3694.29) (Theoretical♦)
Day's high 3751.57 (3734.53) Low 3720.07 (3713.66) (Actual♦)

Standard and Poors

	Dec 17	Dec 16	Dec 15	1993 High	1993 Low	Since compilation High	Since compilation Low
Composite ‡	466.38	463.34	461.84	469.50 (15/10)	429.05 (8/1)	469.50 (15/10/93)	4.40 (1/6/32)
Industrials♥	538.43	535.40	534.04	540.25 (16/11)	496.48 (26/4)	540.25 (16/11/93)	3.62 (21/6/32)
Financial	44.61	44.10	43.67	48.49 (28/9)	39.89 (8/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	257.79	256.15	255.43	260.48 (15/10)	236.21 (8/1)	260.48 (15/10/93)	4.46 (25/4/42)
Amex Mkt Val	464.20	461.44	459.94	484.28 (2/11)	395.84 (8/1)	484.28 (2/11/93)	29.31 (9/12/72)
NASDAQ Cmp	759.23	755.63	752.97	787.42 (15/10)	645.87 (26/4)	787.42 (15/10/93)	54.87 (31/10/72)

■ RATIOS

	Dec 10	Dec 3	Nov 26	Year ago
Dow Jones Ind. Div. Yield	2.67	2.70	2.71	3.12
	Dec 15	Dec 8	Dec 1	Year ago
S & P Ind. Div. yield	2.45	2.39	2.41	2.58
S & P Ind. P/E ratio	27.16	27.41	27.08	26.78

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	464.70	466.95	+2.20	467.45	464.25	64,230	171,187
Jun	466.50	468.05	+2.20	468.40	466.00	420	2,776
Sep	-	469.30	+2.30	469.30	468.30	3	643

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Merry Go Rd	12,018,000	2⅜	-⅛
IBM	5,761,100	59⅜	+2¼
Merck	4,691,600	33⅝	+⅛
Wal-Mart	3,613,300	27½	+⅛
Philip Morris	3,449,200	55	+¾
East Kodak	3,407,600	55⅜	+1
Am T & T	3,272,600	54⅝	-⅛
Fruit Of Loom	2,979,700	24	-⅛
Unisys	2,852,800	13	+⅛
Boeing	2,756,100	44⅝	+⅜

■ TRADING ACTIVITY

● Volume (million)

	Dec 17	Dec 16	Dec 15
New York SE	357.031	283.669	307.644
Amex	19.108	17.232	17.402
NASDAQ	[illegible]	286.973	287.595
NYSE			
Issues Traded	2,702	2,711	2,707
Rises	1,466	1,130	882
Falls	648	944	1,168
Unchanged	591	637	657
New Highs	78	52	46
New Lows	44	63	54

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0839) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (¥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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Sun Life Trust Mngmt Ltd - Contd.

Swiss Life Unit Tst Man Co Ltd (1200)F

Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex

TSB Unit Trusts (1200)F

Charlton Pl, Andover, Hants. SP10 1RE 0264 345794

Rothschild Asset Management

	Bid Price	Offer Price	Yield Gross	City-Line
NC Property	144.84		-	43464

J. Rothschild Fund Managers Ltd.

	Bid Price	Offer Price	Yield Gross	City-Line
Ind Exempt Accum	202.1	204.0	0.91	44085

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Scimia PPP Nov 12	414.0	435.8	-	41422

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Managed Exempt Nov 30	138.44	140.82	2.59	46975
(Accum Units)	152.43	157.11	2.59	46976

INSURANCES

AXA Equity & Law Life Assce

Amersham Road, High Wycombe 0494 463463

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Dec 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. index
Europe													
Austria	(Sch)	17.90	-	785 - 795	17.95	17.85	17.9106	-0.7	17.9237	-0.5	-	-	114.5
Belgium	(BFr)	53.00	-0.15	295 - 305	53.20	52.95	53.09	-2.0	53.255	-1.9	53.575	-1.1	113.6
Denmark	(DKr)	9.9600	+0.0025	550 - 650	9.9750	9.9550	9.9805	-2.5	10.008	-1.9	10.0745	-1.1	115.7
Finland	(FM)	8.6320	-0.0045	310 - 330	8.6350	8.5950	-	-	-	-	-	-	79.1
France	(FFr)	8.6900	-0.0025	850 - 950	8.7025	8.6725	8.6985	-1.2	8.7155	-1.2	8.7385	-0.8	109.4
Germany	(DM)	2.5425	-0.0025	400 - 450	2.5500	2.5350	2.5444	-0.9	2.5476	-0.8	2.5498	-0.3	123.9
Greece	(Dr)	384.90	+0.5	460 - 520	385.56	384.20	-	-	-	-	-	-	-
Ireland	(I£)	1.0505	+0.001	500 - 510	1.0520	1.0470	1.0511	-0.7	1.0523	-0.7	1.0583	-0.6	102.4
Italy	(L)	2512.25	-0.5	175 - 275	2517.75	2506.75	2518.1	-2.8	2530.5	-2.9	2583.8	-2.9	75.9
Luxembourg	(LFr)	53.00	-0.15	295 - 305	53.20	52.95	53.09	-2.0	53.255	-1.9	53.575	-1.1	113.5
Netherlands	(Fl)	2.8475	-	425 - 525	2.8525	2.8400	2.8482	-0.3	2.8495	-0.3	2.8457	0.1	119.2
Norway	(NKr)	11.0375	-0.0175	325 - 425	11.0550	11.0225	11.0435	-0.7	11.0475	-0.4	11.0377	0.0	85.9
Portugal	(Es)	259.50	-0.75	900 - 000	260.50	259.00	260.905	-6.5	263.345	-5.9	-	-	-
Spain	(Pta)	208.95	-0.55	880 - 010	209.75	208.80	209.585	-3.6	210.71	-3.4	216.115	-3.4	85.1
Sweden	(SKr)	12.4975	+0.005	925 - 025	12.5400	12.4650	12.522	-2.4	12.559	-1.8	12.6836	-1.5	72.8
Switzerland	(SFr)	2.1675	-0.005	625 - 725	2.1775	2.1625	2.1654	1.2	2.1616	1.1	2.1402	1.3	117.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	81.6
Ecu	-	1.3175	-0.001	170 - 180	1.3200	1.3160	1.3188	-1.2	1.321	-1.1	1.3257	-0.6	-
SDR†	-	[illegible]	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4870	+0.005	865 - 875	1.4880	1.4825	-	-	-	-	-	-	-
Brazil	(Cr)	419.55	+7	950 - 980	420.00	413.50	-	-	-	-	-	-	-
Canada	(C$)	1.9955	+0.013	950 - 960	1.9980	1.9815	1.9925	1.8	1.9885	1.4	1.9818	0.7	90.6
Mexico	(New Peso)	4.6250	+0.011	235 - 265	4.6290	4.6170	-	-	-	-	-	-	-
USA	($)	1.4910	+0.002	905 - 915	1.4930	1.4860	1.4877	[illegible]	1.480	2.2	1.4708	1.4	67.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1960	-0.005	870 - 990	2.2195	2.1900	2.1961	1.1	2.1941	0.7	2.1944	0.2	-
Hong Kong	(HK$)	11.5070	+0.0315	065 - 075	11.5200	11.4800	11.4844	2.4	11.4519	1.9	11.3722	[illegible]	-
India	(Rs)	46.70	+0.1	665 - 675	46.80	46.60	-	-	-	-	-	-	-
Japan	(Y)	164.25	+0.75	375 - 475	164.75	162.50	163.775	3.5	162.925	3.2	159.205	3.1	178.1
Malaysia	(M$)	3.7975	+0.0105	965 - 985	3.8015	3.7900	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6540	+0.006	525 - 555	2.6600	2.6500	2.6575	-1.6	2.6598	-0.8	2.6606	-0.3	-
Philippines	(Peso)	41.70	+0.15	165 - 175	41.75	41.60	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5910	+0.005	855 - 965	5.6000	5.5825	-	-	-	-	-	-	-
Singapore	(S$)	2.3720	+0.0055	715 - 725	2.3740	2.3690	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0420	+0.017	410 - 430	5.0475	5.0240	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6500	+0.0615	450 - 550	6.6710	6.5500	-	-	-	-	-	-	-
South Korea	(Won)	1207.50	+4	740 - 760	1208.85	1204.40	-	-	-	-	-	-	-
Taiwan	(T$)	39.65	-	960 - 970	39.75	39.55	-	-	-	-	-	-	-
Thailand	(Bt)	37.90	+0.1	785 - 795	37.95	37.80	-	-	-	-	-	-	-

†SDR rate for Dec 16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Morgan G'ty chges %
Europe													
Austria	(Sch)	11.9975	-0.0275	950 - 000	12.0225	11.9950	12.0225	-2.5	12.0675	-2.3	12.1625	-1.4	+16.29
Belgium	(BFr)	35.55	-0.15	550 - 560	35.70	35.50	35.69	-4.7	35.915	-4.1	36.43	-2.5	-0.20
Denmark	(DKr)	6.6800	-0.0075	775 - 825	6.7000	6.6750	6.7095	-5.3	6.7495	-4.2	6.85	-2.5	+10.48
Finland	(FM)	5.7890	-0.025	880 - 900	5.8025	5.7785	5.8052	-3.4	5.8285	-2.7	5.8885	-1.7	-
France	(FFr)	5.8275	-0.01	250 - 300	5.8475	5.8200	5.8462	-3.9	5.8765	-3.4	5.9415	-2.0	-7.34
Germany	(D)	1.7045	-0.004	040 - 050	1.7100	1.7025	1.7095	-3.6	1.7172	-3.0	1.733	-1.7	+31.41
Greece	(Dr)	245.00	-0.3	480 - 520	245.50	244.50	249	-19.6	257	-19.6	292	-19.2	-
Ireland	(I£)	1.4200	+0.001	195 - 205	1.4215	1.4150	1.4159	3.5	1.4095	3.0	1.3923	2.0	-
Italy	(L)	1685.00	-2.5	475 - 525	1691.50	1683.50	1692.7	-5.5	1706.4	-5.1	1755.75	-4.2	-37.90
Luxembourg	(LFr)	35.55	-0.15	550 - 560	35.70	35.50	35.69	-4.7	35.915	-4.1	36.43	-2.5	-0.20
Netherlands	(Fl)	1.9090	-0.004	085 - 095	1.9150	1.9070	1.9135	-2.9	1.92	-2.3	1.9322	-1.2	+21.23
Norway	(NKr)	7.4025	-0.0225	000 - 050	7.4250	7.3975	7.4212	-3.0	7.4442	-2.3	7.5062	-1.4	-17.93
Portugal	(Es)	174.05	-0.7	400 - 410	174.75	174.00	175.295	-8.6	177.5	-7.9	183.3	-6.5	-
Spain	(Pta)	140.10	-0.6	005 - 015	141.00	140.00	140.85	-6.4	142.065	-5.6	146.6	-4.5	-
Sweden	(SKr)	8.3825	-0.0075	800 - 850	8.4300	8.3750	8.4165	-4.9	8.4625	-3.8	8.616	-2.8	-39.25
Switzerland	(SFr)	1.4545	-0.005	540 - 550	1.4620	1.4540	1.4563	-1.5	1.4585	-1.1	1.4559	-0.1	+26.81
UK	(£)	1.4910	+0.002	905 - 915	1.4930	1.4860	1.4877	2.7	1.483	2.2	1.4708	1.4	-38.13
Ecu	-	1.1320	+0.0025	315 - 325	1.1330	1.1285	1.1284	3.9	1.1229	3.2	1.1058	2.0	-
SDR†	-	1.38255	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9980	-	975 - 985	0.9985	0.9970	-	-	-	-	-	-	-
Brazil	(Cr)	281.65	+3.9	160 - 170	281.70	281.50	-	-	-	-	-	-	-
Canada	(C$)	1.3380	+0.0085	375 - 385	1.3400	1.3330	1.3389	-0.8	1.3405	-0.7	1.347	-0.7	-11.23
Mexico	(New Peso)	3.1050	-0.001	040 - 060	3.1060	3.1035	3.1067	-0.7	3.1108	-0.7	3.125	-0.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	-10.10
Pacific/Middle East/Africa													
Australia	(A$)	1.4755	-0.0075	750 - 760	1.4910	1.4705	1.4767	-1.0	1.4799	-1.2	1.4881	-0.9	-46.37
Hong Kong	(HK$)	7.7255	+0.0005	250 - 260	7.7260	7.7240	7.7272	-0.3	7.729	-0.2	7.7355	-0.1	-
India	(Rs)	31.3675	+0.0025	650 - 700	31.3700	31.3650	31.4475	-3.1	31.6525	-3.6	-	-	-
Japan	(Y)	110.10	+0.35	005 - 015	110.25	109.30	110.025	0.8	109.8	1.1	108.175	1.7	+118.38
Malaysia	(M$)	2.5495	-	490 - 500	2.5500	2.5485	2.5537	-2.0	2.563	-2.1	2.6045	-2.2	-
New Zealand	(NZ$)	1.7820	+0.0005	810 - 830	1.7875	1.7800	1.7833	-0.9	1.7865	-1.0	1.7945	-0.7	-
Philippines	(Peso)	28.00	-	795 - 805	28.20	27.70	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7535	+0.007	500 - 570	3.7670	3.7490	3.7593	-1.8	3.769	-1.7	3.788	-0.9	-
Singapore	(S$)	1.5925	-0.0005	920 - 930	1.5950	1.5915	1.5921	0.3	1.5918	0.3	-	-	-
S Africa (Com.)	(R)	3.3850	+0.002	845 - 855	3.3880	3.3770	3.3956	-3.7	3.425	-4.7	3.536	-4.4	-
S Africa (Fin.)	(R)	4.4650	+0.03	600 - 700	4.4800	4.4000	4.495	-8.1	4.553	-7.9	-	-	-
South Korea	(Won)	810.65	+0.5	060 - 070	810.70	810.10	813.65	-4.4	817.15	-3.2	835.65	-3.1	-
Taiwan	(T$)	26.60	-0.1	655 - 665	26.65	26.55	26.665	-2.9	26.805	-3.1	-	-	-
Thailand	(Bt)	25.45	-	540 - 550	25.50	25.35	25.485	-0.7	25.495	-0.7	25.76	-1.2	-

†SDR rate for Dec 16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Morgan Guaranty Changes shown for Dec 16. Base average 1980/82=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

FIXED-INTEREST RATES

MONEY RATES

UK INTEREST RATES

LONDON MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

EURO CURRENCY INTEREST RATES

US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.82	96.81	+0.03	96.84	96.80	1,923	24,352
Jun	96.55	96.54	+0.03	96.57	96.54	234	4,808
Sep	96.30	96.26	+0.04	96.30	96.28	13	235

All Open interest figs. are for previous day

BANK RETURN

BANKING DEPARTMENT	Wednesday December 15, 1993	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	6,205,548,881	+1,603,646,014
Bankers deposits	1,700,859,584	+136,251,870
Reserve and other accounts	3,174,678,286	+105,322,145
	11,095,641,251	+1,845,220,029
Assets		
Government securities	1,174,058,753	+28,164,899
Advances and other accounts	9,411,315,785	+1,764,441,452
Premises, equipment and other secs	497,881,048	+52,672,935
Notes	12,204,840	-33,900
Coin	180,625	-25,467
	11,095,641,251	+1,845,220,029
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,217,795,160	+300,033,900
Notes in Banking Department	12,204,840	-33,900
	18,230,000,000	+300,000,000
Assets		
Government debt	11,015,100	
Other Government securities	6,804,765,161	-439,132,770
Other Securities	11,414,219,739	+739,132,770
	18,230,000,000	+300,000,000

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

STOCK EXCHANGES

FT-ACTUARIES WORLD INDICES

STOCK INDICES

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		18⅞	-4.0	68c	FeMyAuNv	11.10	1503
Allegheny & W	♥	453p	0.2	30c	–	–	–
Amdahl		445p	8.5	5c	NvFeJeAu	31.1	–
Amer Cyanamid		34	-1.8	$1.75	MrJeSeDe	4.3	–
Amer Express		20⅛	-4.7	$1.00	FeMyAuNv	3.10	1594
Amer T & T		36⅜xd	0.3	$1.32	FeMyAuNv	25.6	1597
Ameritech		52	1.7	$3.88	FeMyAuNv	28.3	–
Anheuser-Busch		32¼xd	-3.0	Q$1.44	MrJeSeDe	4.11	1620
BankAmerica		31¼xd	3.5	$1.40	MrJeSeDe	18.11	1744
Bankers NY		62⅞	-.4	$3.12	ApJyOcJa	1.10	1745
Bell Atlantic		40⅛	1.8	$2.68	FeMyAuNv	4.7	–
BellSouth		38¼	0.1	$2.76	FeMyAuNv	8.4	–
Bethlehem Steel	♥	12⅛	–	–	MrJeSeDe	6.2	1821
Bowater		1560p	5.4	60c	OcJaApJy	6.9	1864
CPC		31⅛	-.7	$1.28	JaApJyOc	27.9	2263
California Engy		1293p	0.4	–	–	–	–
Chase Manhattan		22⅞	0.3	$1.20	FeMyAuNv	28.10	2109
Chrysler		36⅛xd	1.9	60c	ApJyOcJa	10.12	2135
Citicorp		23½	–	–	–	23.10	2141
Colgate-Palm		40¼	0.3	$1.44	FeMyAuNv	20.10	2184
Cont'l Bank		1670p	1.4	60c	DeMrJeSe	31.5	–
Dana		38⅞xd	1.0	$1.60	MrJeSeDe	25.11	2306
Data General		608p	-6.5	–	–	–	–
Decora Inds	♥	79½p	–	–	–	–	–
Dun & Brad		41¾	-.6	$2.44	MrJeSeDe	13.2	–
Eaton		32⅞	-2.6	$1.20	FeMyAuNv	2.2	2410
Echlin		21¼	-2.4	76c	JaApJyOc	1.10	3046
FPL		25¾	2.2	$2.48	MrJeSeDe	24.8	–
Ford Motor		42	-1.5	$1.60	MrJeSeDe	27.10	2615
Gen Elect		69⅞	2.4	$2.52	JaApJyOc	21.9	2675
General Host	♥	452p	2.2	34c	–	13.12	–
Gillette		40⅛xd	-0.8	84c	MrJeSeDe	29.7	2895
Hasbro		20⅞	–	24c	FeApJyNv	1.8	–
Honeywell		22⅞xd	1.7	86c	MrJeSeDe	22.11	2919
Houston Inds		31½	2.4	$3.00	MrJeSeDe	10.11	–
Ingersoll-Rand		24½xd	-2.0	70c	MrJeSeDe	18.11	2979
Lockheed		46¼	-1.3	$2.12	MrJeSeDe	15.2	–
Lowe's		3008p	1.1	32c	JaApJyOc	11.7	–
Malvy Technology		311p	0.6	–	–	–	–
Merrill Lynch		31¼	-.3	80c	FeMyAuNv	19.10	3351
Morgan (JP)		49⅛xd	–	$2.72	JaApJyOc	15.12	3416
Morris (Philip)	§	35⅝xd	-1.2	$2.60	JaApJyOc	10.12	5161
NYNEX		27⅞	-.9	$2.36	FeMyAuNv	27.8	4740
Pall		12½	-3.8	32c	FeMyAuNv	24.1	–

BUSINESS SERVICES

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd
ADT $		694	1.0	–	–	–	–
Adam & Harvey		280	–	13.0	3.9	Jan Sep	15.11
Air London		62	1.6	3.5	1.6	Dec Jun	1.11
African Lakes		44	–	2.0	–	Jun	19.4
Asso'ted Sec		120	-.8	6.1	1.0	Jan Oct	19.7
BET		137½	0.4	2.25	6.4	Jan Aug	1.11
BMB Res		114	–	4.9	0.4	Nov May	1.11
BPP		230	-1.3	8.3	2.3	Nov May	18.8
BSM		185	-2.4	5.78	2.0	Nov May	–
Barbour Index		238	-2.1	8.0	2.0	Oct Apr	19.7
Black & Edg		1¼	–	–	–	–	11'89
Boustead		22	-4.3	0.7	–	Jul Jan	29.11
Bridgend		23	-4.2	0.4	–	Jan Aug	1.11
Brit Data Mangt		212	-5.8	4.75	2.8	Nov Apr	4.10
Brit Fittings		80	–	1.76	–	Jan Nov	4.10
Brooks Service		56	-3.4	0.5	–	Nov	1.11
Business Post		108	–	3.13	2.5	Jan Jul	29.11
CRT		97	1.0	2.9	2.0	Dec Jun	20.9
Capita		203	6.3	2.28	3.0	Oct May	16.8
Caskat		42½xd	6.3	0.9	3.2	Oct Feb	13.12
Chiltern Capital AS		23	2.2	–	–	–	–
Christie Group		65	–	–	–	–	8'90
Chubb Security		330xd	1.4	5.25	3.1	Feb Aug	13.12
Corp Servs		40	11.1	–	–	–	–
Coutts Consulting		91	-4.7	–	–	–	4'91
Dart		130xd	-3.2	3.3	2.2	Sep Jan	13.12
Davis Service		220	1.9	7.86	1.7	Jan Oct	20.9
EW Fact		124	0.8	4.47	2.0	Nov Apr	2.12
Gardiner		26	-1.9	0.42	2.2	Oct May	6.9
Hays		274	4.6	6.3	2.2	May Nov	4.10
Hogg Robinson		237	0.4	6.75	2.0	Jan Aug	29.11
Holmes Protect $		38	–	–	–	–	–
Hutch Whmp HK$		328	2.5	Q66c	2.6	Dec May	12.5
ISS B DKr		221¼	2.4	Q10%	7.2	May	1.5
Inchcape		590	3.8	14.15	2.0	Jan Jul	18.10
Intl Food Machinery		28	–	1.4	–	Nov	20.9
Johnson Cleaners		864	-.5	25.7	1.8	Oct May	18.8
Leo		7	–	–	–	–	4'91
MITIE		275	1.5	3.6	3.6	Oct Apr	18.8
Manpower $		1041	-6.7	–	–	–	–
OIS Intl		77	–	0.7	–	Oct	20.9
Page (M)		89	–	1.8	1.3	Nov May	20.9
Pearce		116	–	8.0	2.7	Jul Jan	29.11
Prime People		3¼	–	–	–	–	–
Proudfoot		83	1.8	16.0	1.4	Oct Jul	4.10
RCO		379	-.8	14.19	2.1	Apr Sep	6.9

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

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Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on *Tuesdays-Saturdays except for Investment Trusts and British Funds.*

- □ Indicates the most actively traded stocks. This includes UK stocks *where transactions and prices are published continuously through the* Stock Exchange Automated Quotation system (SEAQ).
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ *Unregulated collective investment scheme.*

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.
x Dividend includes a special payment: Cover does not apply to special payment.
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/ or rights issue.
H Dividend based on prospectus or other official estimates for 1993.
K Dividend based on prospectus or other official estimates for 1992-93.
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1993-94.
N Figures based on IMR "Headline Earnings"
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Angerstein (Ins Comp), BTR Wrrts 1998 (Other Inds), Canadian Pizza (Food Man), Cleveland Tst (Prop), Dellan Lloyds (Ins Comp), Emerald Energy (Oil & Gas), For & Col Emrg Mkts Wrrts (Tsts), HCG Lloyds Inv (Ins Comp), London Ins Mkt (Ins Comp), Moran (Food Man), Throgmorton Pfd Inc (Tsts), Towry Law (Other Fin), Ugland Intl (Eng Gen).

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For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 36p per minute cheap rate and 48p per minute at all other times.
An international service is available for callers outside the UK, *annual subscription £250 stg.*
Call 071-873 4378 (+44 71 873 4378, internationally) for more information on FT Cityline.

4 pm close December 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15	11½	AAR	0.48	3.3	483	208	14½	14	14½	+¼
29⅜	12¾	A L Labs A	0.18	1.3	31	612	14	13½	13¾	+½
67¾	54⅝	AMP	1.60	2.6	21	2670	61¾	60⅞	61⅝	+⅝
72¾	55½	AMR			53	3583	68½	67⅛	67⅜	-⅞
3⅞	1¾	ARX			14	302	3¾	3⅝	3⅝	
51½	29⅞	ASA	2.00	4.1	32	681	48⅝	48⅝	48⅝	-⅝
30¾	22⅝	AbbtL	0.68	2.4	17	11385	28¾	28	28½	+⅜
12⅝	8¼	AbitibI Pr	0.50	4.2	7	88	11⅞	11¾	11⅞	+⅛
15⅝	8¼	Acptncaln			19	165	11¾	11¾	11¾	
36	25½	ACE Ltd	0.40	1.4	5	1878	28¾	28¼	28⅝	+¼
12¼	10¾	ACM Gvt In x	1.08	8.9		168	u12¼	12	12¼	+¼
10⅛	9⅛	ACM GrOpp x	0.80	8.2		139	9¾	9⅝	9¾	
10⅜	8¾	ACM Gvt Sp x	0.96	9.5		438	10⅛	10	10⅛	
12	10½	ACM Gvt Se x	1.09	9.1		419	u12	11⅞	12	+⅛
12¼	9⅝	ACM Man x	1.08	9.8		129	11⅛	11	11	
9⅜	8⅝	ACM Managd x	0.72	8.0		116	9⅛	9	9	
12⅞	7¾	AcmeClv	0.44	4.6	12	82	9⅞	9½	9½	-⅛
11⅞	6⅞	Acme Elect			40	208	9⅛	9	9	-⅛
27⅞	18⅜	Acordia	0.44	1.8	13	37	24	24	24	+¼
16	10⅞	Acuson			59	1517	13⅛	12¾	13⅛	+½
21⅞	17¼	Adams Expr	0.52	2.9	0	85	18	17⅞	18	+⅛
66¼	45½	Ad Micro	3.00	6.4		8	47½	47⅛	47⅛	-⅛
32¾	17⅞	AdvMic	3.00	16.8	6	4760	18	17⅝	17⅞	+¼
8⅛	5½	Advest Grp	0.16	2.4	12	164	6¾	6½	6¾	+⅛
24¾	14¼	Advo Inc	0.08	0.5	82	80	17⅜	17⅛	17⅜	+⅜
55¼	41⅛	Aegon ADR	1.23	2.2	11	65	55	54⅜	54¾	+⅜
66¼	43⅞	AetnaL	2.76	4.6	25	1826	60	59⅛	59⅞	+⅝
34	24¾	Aflac	0.40	1.5	12	1033	27¾	27¼	27½	
22⅛	16¾	Ahmnsn	0.88	4.5	9	6585	19¾	19	19½	+½
7¾	3⅝	Aileen Inc			5	166	4⅛	4	4	-⅛
48½	37½	AirPrG	0.92	2.0	25	1467	45⅜	45	45¼	+¼
35¼	18⅛	Airbne Frt	0.30	0.9	27	365	33⅞	33¼	33¼	+⅛
25½	9½	Airgas Inc			41	1095	21	19⅛	21	+1⅞
16⅛	10½	Airlease	1.84	11.7	11	121	15¾	15⅝	15¾	+⅛
108½	101	AlaPw8.16	8.16	7.8		3	104	104	104	
107	102½	Alab 8.28C	7.28	7.1		z20	102⅞	102⅞	102⅞	
18	12⅛	Alaska Air	0.20	1.4	3	1505	14⅝	14⅜	14⅝	+¼
18¼	14¼	Albany Int	0.35	1.9	45	151	18¼	17⅞	18⅛	+⅛
28¼	20⅛	AlbCuB	0.26	1.2	15	380	22½	22	22½	+½
25¼	17	AlCulvr A	0.26	1.3	14	19	19⅞	19⅝	19⅝	-¼
29¾	23⅜	Albtsn	0.36	1.3	21	6209	27	26⅛	26¾	+½
[illegible]										
50⅜	37⅞	BarnBk	1.44	3.5	13	3022	41	40⅜	41	+⅛
8¾	5⅛	Barold	0.20	2.5	25	3727	8⅛	7⅞	8⅛	+¼
10⅞	4⅞	BattlMt	0.05	0.5	148	2325	10⅜	10⅛	10⅜	+⅛
57½	43	Bausch	0.88	1.7	16	1056	51¾	51⅜	51½	+¼
32¾	20	Baxter	1.00	4.3	12	8650	23⅜	22⅞	23⅛	
32	24⅜	Bay St Gas	1.42	4.8	17	116	30	29½	29¾	
25	22	Bd Tr 1838	1.72	7.5		58	23	22⅞	23	+⅛
26	15	Bear Strns	0.60	2.7	7	1459	22⅝	22⅜	22⅜	
50¼	45½	BearStPIA	2.75	5.6		3	49¼	49¼	49½	
31	20½	Bearings	0.64	2.3	21	12	28⅛	28	28⅛	+⅛

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4 pm close December 17

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close December 17

AMEX COMPOSITE PRICES

4 pm close December 17

FT GUIDE TO THE WEEK

20 MONDAY

PLO and Israel try again

Secret talks are expected to continue in Oslo between Israel and the Palestine Liberation Organisation in an attempt to get the stalled peace process back on schedule. The sticking-point has been the wish of PLO leader Yassir Arafat (above) to assume as many trappings of sovereignty as possible.

Gulf council: The Gulf Co-operation Council holds annual meeting in Riyadh this week. On the agenda is possibility of lifting the Arab economic boycott of Israel. They are also expected to discuss regional security, relations with Iran and Iraq, economic co-operation, and measures needed to stem the fall in the price of oil.

Goodwill: The UK Accounting Standards Board publishes a discussion document on goodwill – the difference between what a company pays to buy a business, and the value of this acquisition's net assets.

TUC relaunch: The finance and general purposes committee of the Trades Union Congress, the umbrella for Britain's organised labour movement, is to discuss an internal shake-up. It is to lead an official relaunch under John Monks.

21 TUESDAY

Bomaby securities scandal

A committee of Indian MPs is to report to parliament on last year's Rs40bn (£858m) scandal in the Bombay securities market. Stockbrokers and banks are likely to be blamed for the illegal siphoning of money out of the banking system and into the stock market.

Bosnia's warring factions and the Serb and Croat presidents are due to resume talks in Geneva on division of the country on ethnic lines. The teams move to Brussels tomorrow.

Korean cabinet: President Kim Young Sam is expected to announce a new cabinet which will emphasise business reforms.

New Zealand's parliament reconvenes after November's general election, which cut the ruling National Party's majority from 34 to one.

Nagorno-Karabakh: Armenian and Azerbaijani representatives meet in Helsinki to discuss ending the war in the Armenian enclave in Azerbaijan. Representatives from Nagorno-Karabakh are also expected to attend.

Unicef: The United Nations Children's Fund publishes its yearly report on the state of the world's children. The study, which is being launched by US President Bill Clinton, is expected to focus on successes in the battle against childhood diseases.

22-23 WEDNESDAY

S African constitution

South Africa's white-dominated parliament is expected to hold a final vote on the country's new constitution, passing it into law.

US third-quarter GDP: The final figures are due today. Preliminary figures showed gross domestic product up at an annual rate of 2.8 per cent, but were revised down 0.1 percentage points last month.

German cost of living: December cost of living indices for the biggest regions are due out today or tomorrow. November's index was revised downwards. Any further fall in the cost of living this month is considered unlikely.

THURSDAY

CIS summit: A two-day meeting of the Commonwealth of Independent States has been called in Ashkhabad, Turkmenistan. However, the current political turmoil in Russia makes it unclear whether the meeting will actually go ahead.

The summit is expected to discuss economic policy, and, in particular, common monetary issues in the aftermath of the collapse of the rouble zone.

Holidays: Japan marks Emperor Akihito's 60th birthday with a national holiday.

24-26 FRIDAY to SUNDAY

UN chief to visit N Korea

United Nations secretary-general Boutros Boutros-Ghali is to meet North Korean leaders in the capital Pyongyang. He says his is a fact-finding mission and that he does not plan to mediate in the crisis over North Korea's refusal to open its nuclear facilities to international inspection.

DECEMBER 25

Kuwait's state security court is due to deliver its verdict on 11 Iraqis and three Kuwaitis charged with plotting to assassinate former US President George Bush in April 1993.

DECEMBER 26

Poll in Krajina: Voting in presidential elections is being repeated in six districts of the self-styled Serbian state of Krajina, which covers one-third of Croatia. The second round follows alleged irregularities, when Serbian President Slobadan Milosevic's chosen candidate, Milan Martic, was unexpectedly beaten by Milan Babic, who opposes Belgrade rule.

Chairman Mao:

China's revolutionary leader (left), who died in 1976, was born in the village of Shaoshan 100 years ago today. The state plans big celebrations.

Hopes are rising that this Christmas may bring closer an end to political violence in Northern Ireland

Measures coming into effect on January 1 1994

Trading partners: The North American Free Trade Agreement comes into force, creating a single market comprising the US, Canada and Mexico.

Bolivia, Colombia, Ecuador, Peru and Venezuela, the Andean Group, plan to start a customs union. The first of its kind for developing nations, it will be a market of some 100 million people.

The European Economic Area, comes into being, linking the 12 European Union members and five Nordic and Alpine states in a giant single market.

Greek presidency: Greece takes over the rotating six-month presidency of the EU from Belgium.

One of the most pressing topics on the EU's agenda will be enlargement, with a March 1 deadline for completing negotiations for the admission of Norway, Sweden, Finland and Austria.

Emu part two:

European Monetary Union starts its second and penultimate stage. The European Monetary Institute – the embryo central bank – begins its work. The Belgian Alexandre Lamfalussy (left) has been chosen to be its first president.

Central bankers' banker: The top job at the Bank for International Settlements in Basle, vacated by Alexandre Lamfalussy's move to the EMI, is to be taken by Andrew Crockett, previously a director at the Bank of England. He has said he will focus on the problems associated with financial derivative instruments.

Footloose and duty-free: The value of duty-free gifts travellers within the European Union can bring home doubles to Ecu90 ($100). For those returning from outside the EU, the allowance will rise to Ecu175 from Ecu45. Alcoholic drinks, tobacco or perfumes are excluded, being subject to volume limits.

Duty-free shopping on journeys within the EU is set to end on 30 June 1999.

Road hauliers in the European Union will be freer, but slower. Restrictions on cabotage, the right of a haulier from one member state to pick up and deliver a load in another, will be eased.

Rules also come into force requiring new trucks of 12 tonnes gross weight and more to be fitted with speed limiters restricting them to 56mph (90kph). The UK already requires trucks of 7.5 tonnes or more to be limited to 60mph.

Germans grit their teeth: Taxation on oil products rises by up to 20 per cent (for petrol) and 13 per cent (for diesel), which means an extra 16 pfennigs on a litre of petrol.

Child allowances are cut to DM70 ($41) per child per month, and will be means-tested. Unemployment benefit will also be cut, by some 3 percentage points.

Pension contributions are to rise to more than 19 per cent of gross income, to prevent the state pension funds sliding into the red.

Trains set: Germany's rail companies, the Bundesbahn in the west and the Reichsbahn in the east, are to unite as Deutsche Bahn. The railways will no longer be be a statutory body, which paves the way for eventual privatisation, some 10 years down the tracks.

The government has agreed to assume the railways' debts, to be paid for by increased oil taxes. Next

Commercial agents: The English Commercial Agents Regulations 1993 come into force, along with equivalent enabling legislative orders for Scotland and Northern Ireland.

These implement the 1986 EC Directive 86/653, giving commercial agents who act for UK principals in countries of the EU (formerly EC) greatly increased rights. These rights include increased security of contract, compensation for loss of office, and disclosure of confidential information concerning their principals' business.

Many British companies took the precaution of sacking their commercial agents in advance of the new regulations. The Irish Republic is due to bring the directive into force from today as well. The other EU states have already implemented it.

Lloyd's goes corporate:

For the first time in its 300-year history, the Lloyd's of London insurance market (left) will accept corporate members. Previously, only wealthy individuals, the Names, who have put all their assets at stake in supporting the market have been members. Now, companies, institutions and private investors of more modest means will be able to benefit from limited liability.

EIS supersedes BES: The Enterprise Investment Scheme comes into being. It replaces the the Business Expansion Scheme, set up in 1983 to encourage investment in trading companies. The BES became an easy tax break for higher earners, raising more than £3bn. Its successor is designed to be less generous.

500-year malt: Scotland's distillers have decided to designate 1994 the 500th anniversary of malt whisky, on the basis of a document dated 1594 which mentions materials supplied to a certain Friar John Cor "wherewith to make *aquavitae*".

27-30 MONDAY to THURSDAY

By land across the seas

On Monday the first attempted overland journey from London to New York begins. An international team driving Ford vehicles aims to complete the 15,500 mile route using the channel tunnel and the ice-bound Bering Straits between Siberia and Alaska.

New long bond: Germany this week issues its traditional year-end bond, or Silvesteranleihe. It will be the first 30-year government issue since 1986.

The first tranche will be allocated via the federal bond consortium on Tuesday, with another portion sold at a US-style auction on Wednesday. Traders are betting on a total issue size of about DM10bn ($6bn).

Green ideas: The Biodiversity convention agreed at Rio de Janeiro in 1992 was due to come into effect on Wednesday.

However, many countries remain unable to ratify it after the collapse of talks this month in Cartagena, Colombia, on restructuring the Global Environment Facility, a fund to help developing countries protect the environment.

The Paris-Dakar road rally starts from Paris on Thursday.

31-3 FRIDAY to MONDAY

Nikkei hobbles into 1994

Trading on the Tokyo stock market ends for the year on December 31. The Nikkei average is less than half its peak of four years ago. Shaky stock prices recently has made investors nervous about the year ahead.

High noon in Algeria: The five-member High Council running the country originally said it would stand down by the end of the year. It has been in charge since cancelling elections in January 1992, which the now-outlawed Islamic Salvation Front was poised to win. It has now extended its mandate to January 31.

Sins of emission: The Climate Change convention agreed at last year's Rio Earth Summit comes into effect on December 31. Under it, countries draw up plans for stabilising emissions of "greenhouse gases" at 1990 levels by the year 2000. EU member states agreed to ratify it last week.

Kashmir: Pakistani and Indian foreign secretaries meet on January 1 to resume bilateral talks over the disputed Himalayan state (to Jan 3).

Compiled by Patrick Stiles. Fax: (+44) (0)71 873 3194.

ECONOMIC DIARY

Other economic news

Monday: The Organisation for Economic Co-operation and Development's latest half yearly Outlook is expected to forecast modest growth and rising unemployment in the industrialised world next year.

Tuesday: A majority of analysts expects the US Federal Open Markets Committee to maintain a neutral stance on monetary policy at its meeting today.

Thursday: In Japan, markets are closed for the emperor's birthday. In the US, minutes from the November 16 open markets committee meeting are released.

Friday: Most markets, other than in Japan, shut down early on Christmas Eve, or are closed for the entire day. In London, the stock exchange has a half-day session and Liffe closes at lunchtime.

The week between Christmas and the New Year is relatively quiet for statistics in Europe, although there is a steady stream from Japan and the US. In the UK, the British Bankers Association publishes monthly figures for mortgage lending.

The Japanese markets stay open until December 30, when they close after a half day's trading, and stay closed on December 31.

Statistics to be released this and next week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	France	Sept current a/c	–	–
Dec 20	France	Oct industrial production*	0.2%	–0.3%
	UK	Nov M4*	0.2%	1%
	UK	Nov M4**	4.7%	4.3%
	UK	Nov M4 lending	1.9bn	1.8bn
	UK	Nov bdg scty - net new commits.	£2.3bn	£2.6bn
	UK	National accounts, GDP third qtr**	1.9%	1.9%
	UK	Third qtr balance of payments	-£2bn	–£2.7bn
	UK	Non EU Nov trade	-£650m	-£293m
Tues	Japan	Oct coincident index	–	70%
Dec 21	Japan	Oct leading diffusion index	–	36.4%
	France	Nov consumer price index final**	–	2.2%
	Italy	Dec cons. price index - cities**	4.2%	4.2%
	Canada	Oct retail sales*	0.4%	-0.1%
Wed	US	Third qtr GDP final	2.7%	2.7%
Dec 22	US	Third qtr after tax corp. profit	0.8%	0.8%
	Canada	Oct wholesale trade*	1.5%	1.9%
Thurs	US	Nov durable orders	1.6%	2%
Dec 23	US	Nov durable shipments	–	0.1%
	US	Initial claims – w.e. Dec 18	330,000	330,000
	US	State benefis – w.e. Dec 11	–	2.7m
	US	Nov personal income	0.5%	0.6%
	US	Nov PCE	0.5%	0.8%
	US	Auto sales (Dec 11-20)	7.1m	7.1m
	Canada	Oct employment earnings**	1.3%	1.5%

Day Released	Country	Economic Statistic	Median Forecast	Previous, Actual
During the week...				
	Germany	Nov producer price index*	-0.1%	0.0%
	Germany	Nov producer price index**	–0.3%	-0.3%
	Germany	Oct trade balance	DM4bn	DM5.7bn
	Germany	Oct current a/c	–DM5.5bn	-DM2.2bn
	Germany	December cost of living (regions)*	–	–
	Germany	December cost of living (prelim.)*	0.2%	0.3%
	Germany	December cost of living (prelim.)**	3.7%	3.7%
	Italy	Oct wholesale prices index*	5.7%	6.6%
	Italy	Oct producer prices index**	4.4%	4.3%
	Italy	Nov M2 3-monthly average**	8.1%	8.1%
	Italy	Nov bank lending**	1.9%	1.0%
	Sweden	Nov trade balance	Skr4.7bn	Skr4.4bn
	Spain	Oct producer prices index**	3.0%	3.0%
	Belgium	Dec consumer prices index**	2.4%	2.5%
Mon	US	Nov bank credit	–	-0.2%
Dec 27	Japan	Nov retail sales	–	-3.6%
	Japan	Nov industrial production	–	-5.1%
Tues	US	Consumer confidence	–	71.2
Dec 28	Japan	Consumer prices index (nation)	–	1.3%
	Japan	Unemployment rate	–	2.7%
Wed	US	leading indicators	–	0.5%
Dec 29	US	export/import price indices	–	–
Thur 30	US	New home sales	–	679,000

*month on month, **year on year

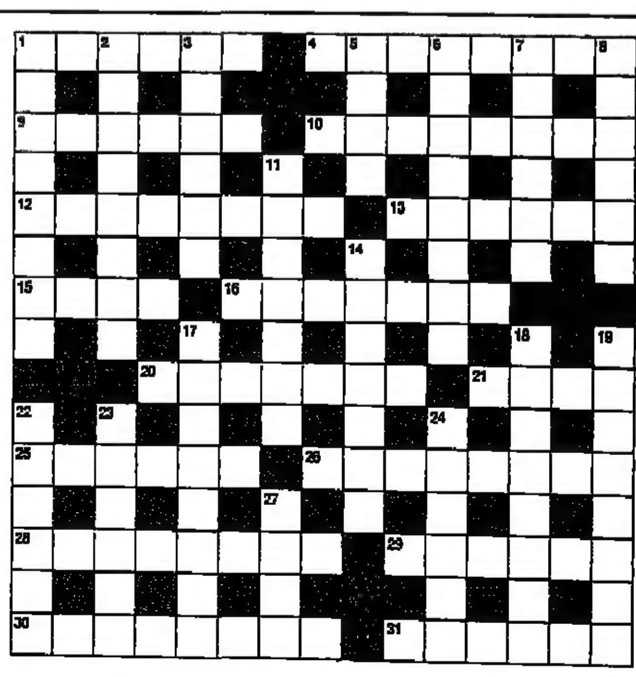
Statistics, courtesy MMS International.

MONDAY PRIZE CROSSWORD

No.8,336 Set by VIXEN

ACROSS
1 Offer accommodation in subtle fashion (6)
4 Obstruct an attendant and there's a striking outcome! (8)
9 Checks fraud within the Civil Service (6)
10 A sailing man in some irritation getting under way (8)
12 Held back, being rather unsociable (8)
13 Club for which well qualified people run (6)
15 The guy making a point backed "economy with the truth" (4)
16 Confine an associate as a disciplinary measure (7)
20 Heavyweight men got a break (7)
21 Personification of youth in the best possible way (4)
25 Aren't maybe chasing money, so it's understood (6)
26 After fifty there's always time – such an advantage (8)
28 Neat girl's make-up, quite basic (8)
29 A person familiar with the law will get support first (6)
30 Concede to the French count (8)
31 Put in a tin to be drunk (6)

DOWN
1 Getting rugs nice with special treatment (8)
2 Capital investment for a speculator's family (6)
3 Able to bring parking into use (6)
5 Little birds taken from the nest - it seems quite wrong (4)
6 Soft golden furniture that may be moved (8)
7 A claim correctly made (6)
8 High fliers below par (6)
11 Few cut a figure (7)
14 The lorry-driver has gone in fighting! (7)
17 The adolescent brew green tea (8)
18 A story of never-ending euphoria (8)
19 Frustrated achievement indeed! (8)
22 The charge for simple casual sort of shirt (6)
23 Irregularly shaped petals of a delicate colour (6)
24 The city will give information to a woman (6)
27 Heel's affected piety (4)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday December 30, marked Monday Crossword 8,336 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Tuesday January 4.

Name...

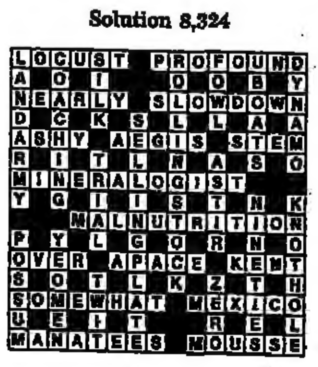
Address...

....

Winners 8,324

D.L. Craig, Heswall, Wirral; Mrs M. Brown, Bedford; Brian Coutanche, Petit Port, Jersey; Simon Dunning, Blanefield, Glasgow; Reg Mogg, Wanstead, London E11; Mrs William M. Regan, Bronxville, New York, USA.

Solution 8,324



The next Monday Prize Crossword will be on Monday January 3